COPY

University of Tennessee Medical Center (MRI UNIT)

CN1509-039

CERTIFICATE OF NEED APPLICATION

FOR

THE UNIVERSITY OF TENNESSEE MEDICAL CENTER

Acquisition of Major Medical Equipment (MRI Unit)

Knox County, Tennessee

September 15, 2015

Contact Person:

Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247

Square Footage SECTION A:

APPLICANT PROFILE

1. ***Name of Facility, Agency, or Institution***

The University of Tennessee Medical Center
Name

1924 Alcoa Highway
Street or Route

Knox
County

Knoxville
City

TN
State

37920
Zip Code

2. ***Contact Person Available for Responses to Questions***

Jerry W. Taylor
Name

Attorney
Title

Burr & Forman, LLP
Company Name

jtaylor@burr.com
Email address

501 Union Street, Suite 2300
Street or Route

Nashville
City

TN
State

37219
Zip Code

Attorney
Association with Owner

615-724-3247
Phone Number

615-724-3347
Fax Number

3. ***Owner of the Facility, Agency or Institution***

University Health System, Inc.
Name

865-305-6600
Phone Number

2121 Medical Center Way, Suite 200
Street or Route

Knox
County

Knoxville
City

TN
State

37920
Zip Code

4. ***Type of Ownership of Control (Check One)***

A.	Sole Proprietorship	F.	Government (State of TN or
B.	Partnership	G.	Political Subdivision)
C.	Limited Partnership	H.	Joint Venture
D.	Corporation (For Profit)	I.	Limited Liability Company
E.	Corporation (Not-for-Profit) X		Other (Specify)_____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Organizational documentation is attached as Attachment A,4.

5. ***Name of Management/Operating Entity (If Applicable)***

N/A

Name

Street or Route **County**

City **State** **Zip Code**

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. ***Legal Interest in the Site of the Institution (Check One)***

A.	Ownership	D.	Option to Lease
B.	Option to Purchase	E.	Other (Specify) _____
C.	Lease of 50 Years X		

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

A copy of the Lease and Transfer Agreement is attached as Attachment A, 6.

7. ***Type of Institution (Check as appropriate--more than one response may apply)***

A.	Hospital (Specify) General	X	I.	Nursing Home
B.	Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty		J.	Outpatient Diagnostic Center
			K.	Recuperation Center
C.	ASTC, Single Specialty		L.	Rehabilitation Facility
D.	Home Health Agency		M.	Residential Hospice
E.	Hospice		N.	Non-Residential Methadone Facility
F.	Mental Health Hospital		O.	Birthing Center
G.	Mental Health Residential Treatment Facility		P.	Other Outpatient Facility (Specify)_____
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)		Q.	Other (Specify) _____

8. Purpose of Review *(Check) as appropriate--more than one response may apply)*

A.	New Institution	G.	Change in Bed Complement [*Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]*
B.	Replacement/Existing Facility		
C.	Modification/Existing Facility		
D.	Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify)_____	H.	Change of Location
		I.	Other (Specify)_____
E.	Discontinuance of OB Services		
F.	Acquisition of Equipment X		_____

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9.

Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

N/A

		Current Licensed Beds	*CON Beds**	*Staffed Beds*	*Beds Proposed*	*TOTAL Beds at Completion*
A.	Medical	422	28	422		422
B.	Surgical (Included in Medical)					
C.	Long-Term Care Hospital					
D.	Obstetrical	12		12		12
E.	ICU/CCU	80	16	80		80
F.	Neonatal	67		67		67
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M	Nursing Facility Level 1 (Medicaid only)					
.	Nursing Facility Level 2 (Medicare only)					
N.	Nursing Facility Level 2					
O.	(dually certified Medicaid/Medicare)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
	Swing Beds					
S.	Mental Health Residential Treatment					
T.	Residential Hospice					
U.	**TOTAL**	**581**	**44**	**581**		**581**

*CON-Beds approved but not yet in service

10. **Medicare Provider Number:** 44-0015
Certification Type: Hospital

11. **Medicaid Provider Number:** 0044-0015
Certification Type: Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

N/A, this is an existing hospital. UTMC participates in both Medicare and Medicaid/TennCare

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

Blue Care

TennCare Select

UnitedHealthcare Community Plan

Amerigroup

Will this project involve the treatment of TennCare participants?

Yes

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

UTMC is contracted with all TennCare MCOs operating in the region.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

N/A

NOTE: ***Section B*** **is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project.** ***Section C*** **addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Project Description

The University of Tennessee Medical Center ("UTMC") seeks authorization to acquire an additional MRI unit with a cost in excess of $2 million. The proposed new MRI is a Seimens 3.0 Tesla unit. The proposed new MRI unit will be operated under UTMC's hospital license and will be located on the main hospital campus in Knoxville. UTMC will construct a new 1,229 square foot addition adjacent to the current MRI department to house the unit.

Services & Equipment

The proposed new MRI is a Seimens 3.0 Tesla unit. There will be no changes in the health care services provided at UTMC.

Ownership Structure

UTMC is owned and operated by University Health System, Inc. ("UHS"). UHS is a not-for-profit corporation formed in 1998 to acquire the medical center from the State of Tennessee and the University of Tennessee.

Service Area

The primary service area for the MRI service at UTMC consists of Knox, Blount, Sevier, Jefferson, Monroe and Loudon counties. Residents of these 6 counties make up approximately 76.5% of the patients receiving MRI scans at UTMC.

Need

There is clearly a need for an additional MRI unit at UTMC. The four existing MRI units at UTMC are operating at substantially above the need threshold: In 2014 the MRIs at UTMC operated at 158% of the "need" threshold in the State Health Plan. In 2015, based on annualized volume through July, they will operate at 170% of the threshold.

Existing Resources

There are 35 existing MRI units in the PSA. Of these, 16 units are operated by 9 hospitals, including UTMC. This project will not have a negative impact on other MRI providers. The new MRI unit will serve to decongest the exiting MRI units at UTMC and provide additional capacity for growth. It will not significantly affect any other provider's MRI volume.

Project Cost & Funding

The total estimated project cost excluding the filing fee is $3,650,700. Included in this is $2,259,306 for equipment and $1,106,824 for construction cost. The equipment costs were negotiated at arm-length and are reasonable. The project architect has provided a letter attesting that the estimated construction costs are reasonable.

Financial Feasibility

The project will be funded through the cash reserves of UHS. The CFO has provided a letter attesting to availability of funding.

Staffing

Only minimal additional staffing is required: 1.5 FTE MRI Technologist.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

UTMC proposes to add a 3.0 Tesla MRI unit. UTMC currently operates 4 MRI units. The proposed new MRI unit will be located in a newly constructed addition to the current imaging department on the 1st floor of the main hospital building. The addition will consist of 1,229 square feet. No temporary relocation of services is required, but the immediately adjacent MRI unit may have to temporarily cease operations for a few weeks.

The cost of construction does not exceed $5 million, so the referenced chart is not applicable to this application.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

N/A.

C. **As the applicant, describe your need to provide the following health care services (if applicable to this application):**

N/A. This project does not involve the initiation of a health care service.

1. **Adult Psychiatric Services**
2. **Alcohol and Drug Treatment for Adolescents (exceeding 28 days)**
3. **Birthing Center**
4. **Burn Units**
5. **Cardiac Catheterization Services**
6. **Child and Adolescent Psychiatric Services**
7. **Extracorporeal Lithotripsy**
8. **Home Health Services**
9. **Hospice Services**
10. **Residential Hospice**
11. **ICF/MR Services**
12. **Long-term Care Services**
13. **Magnetic Resonance Imaging (MRI)**
14. **Mental Health Residential Treatment**
15. **Neonatal Intensive Care Unit**
16. **Non-Residential Methadone Treatment Centers**
17. **Open Heart Surgery**
18. **Positron Emission Tomography**
19. **Radiation Therapy/Linear Accelerator**
20. **Rehabilitation Services**
21. **Swing Beds**

D. **Describe the need to change location or replace an existing facility.**

N/A

E. **Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $2 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:**

1. **For fixed-site major medical equipment (not replacing existing equipment):**

   a. **Describe the new equipment, including:**

      1. **Total cost; (As defined by Agency Rule).**

         $2,259,306

      2. **Expected useful life;**

         Five years

      3. **List of clinical applications to be provided; and**

         Please see the Charge Master attached as Attachment C, II, Economic Feasibility, 6.

4. **Documentation of FDA approval.**

A copy of the FDA approval letter is attached as Attachment B, II, E, 1, a.

b. Provide current and proposed schedules of operations.

Current and proposed:

Monday-Friday – 6:30 am-10:30 pm

Saturday & Sunday – 7:00 am-10:30 pm

Although the official hours of operation will not change, the new MRI unit will reduce the number of scans that are scheduled for evening hours.

2. **For mobile major medical equipment:**

N/A

a. List all sites that will be served;

b. Provide current and/or proposed schedule of operations;

c. Provide the lease or contract cost.

d. Provide the fair market value of the equipment; and

e. List the owner for the equipment.

3. **Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

The MRI unit will be purchased. A quote from the vendor is attached as Attachment B, II, E, 3.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. **Size of site (*in acres*);**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

A site plan is attached as Attachment B, III, (A).

(B) 1. **Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.**

UTMC is located on Alcoa Highway, a major state highway serving the area. It is located approximately 3 miles from Interstates 40 and 75. It is on a bus route of the Knoxville Transit Authority.

IV. **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

NOTE: *DO NOT SUBMIT BLUEPRINTS*. Simple line drawings should be submitted and need not be drawn to scale.

A floor plan is attached as Attachment B, IV.

V. **For a Home Health Agency or Hospice, identify:**

N/A.

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

I. NEED

1. **Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

FIVE PRINCIPLES FOR ACHIEVING BETTER HEALTH FROM THE TENNESSEE STATE HEALTH PLAN:

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This appears to be a policy statement to which no response is required.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The additional MRI unit at UTMC will improve access to health care and make MRI imaging available in a more timely manner. Due to lack of capacity on the existing four units, some MRI scans must be scheduled late into the evening.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.

The additional MRI unit at UTMC will facilitate the delivery of MRI imaging services in a more efficient and timely manner.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

UTMC is accredited by the Joint Commission. It is in good standing with the Joint Commission and with the Tennessee Board for Licensing Health Care Facilities.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

The additional MRI unit at UTMC will have no significant impact on the work force.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

MRI STANDARDS AND CRITERIA FROM STATE HEALTH PLAN

I. <u>Utilization Standards for non-Specialty MRI Units.</u>

a. An a applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

The applicant projects 3,930 scans on the new unit in Year 1, and 4,087 in Year 2.

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

N/A

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

N/A

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

N/A

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid " Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation thera.py unit or a positron emission tomography unit) based on the primary purposes of the Unit.

N/A

2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-- Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

The six county primary service area accounted for approximately 76.5% of the patients receiving MRI scans at UTMC in 2014.

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternative shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Sharing arrangements are not practical or desirable in light of the overwhelming volume of MRI scans being performed at UTMC. No lower cost alternative such as a lower field magnet strength or a refurbished unit would meet the needs of UTMC and its patients.

4. Need Standard for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve- month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year= 3,600 procedures per year.

There is clearly a need for an additional MRI unit at UTMC despite the fact not all units in the service area are operating at or above the threshold. The four existing MRI units at UTMC are operating at substantially above the need threshold:

Year	Total Scans	Scans per Unit	Need Threshold	% of Threshold
2015*	19,651	4,913	2,880	170%
2014	18,250	4,563	2,880	158%

2013	16,453	4,113	2,880	143%
2012	17,557	4,389	2,880	152%

*Annualized through July, 2015.

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

N/A

[Standards 5 and 6 are not applicable. This is not a "Specialty" MRI]

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

The proposed MRI unit is certified for clinical use by the FDA. A copy of the FDA approval letter is attached as Attachment B, II, E, 1, a.

b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

A letter from the project architect attesting to this is attached as Attachment C, I, Need, Guidelines, (1).

c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice

A copy of UTMC's MRI emergency protocol is attached as Attachment C, I, Need, Guidelines, (2).

d. The applicant should establish protocols that assure that all MRI Procedures performed are medically necessary and will not unnecessarily duplicate other services.

A copy of UTMC's MRI medical necessity protocol is attached as Attachment C, I, Need, Guidelines, (3).

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall

demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

The MRI Department at UTMC currently meets the staffing requirements of the ACR and will continue to meet those requirements with the proposed new MRI unit.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

The existing MRIs are ACR accredited, and the new MRI unit will likewise be so accredited.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

UTMC is a tertiary regional referral hospital with a Level I Trauma Center. Such a transfer agreement is not necessary.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

UTMC will do so, as it does with its existing four MRI units.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated , and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

PSA County	MUA
Knox	Parts
Blount	Parts
Jefferson	Yes
Loudon	Yes
Monroe	Yes
Sevier	Parts

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

UTMC is designated a safety net hospital under the TennCare Essential Access program.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

UTMC contracts with all TennCare MCOs operating in the area.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

N/A

[END OF RESPONSES TO STATE HEALTH PLAN]

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

N/A.

2. **Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

The additional MRI is not directly related to any long-range development plans of UTMC.

3. **Identify the proposed service area <u>and</u> justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

The primary service area for the MRI service at UTMC consists of Knox, Blount, Sevier, Jefferson, Monroe and Loudon counties. Residents of these 6 counties make up approximately 76.5% of the patients receiving MRI scans at UTMC.

A map of the service area is attached as <u>Attachment C, I, Need, 3</u>.

4. **A. Describe the demographics of the population to be served by this proposal.**

A table reflecting the current and projected population and some key demographics of the service area is attached as Attachment C, I, Need, 4.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

The Population and Demographics of the Service Area table attached as Attachment C, I, Need, 4 indicate no significant special needs of the service area population. A few notes of interest are:

The 65+ population as a percentage of total population is higher than the state as a whole in 2015 (20% compared to 15.6%).

The projected 65+ population as a percentage of total projected population is slightly higher than the state as a whole in 2019 (18.8% compared to 17.3%).

The total population is projected to grow at a slightly faster rate than the state as a whole 2015-2019 (5.3% compared to 4.5%).

The service area has a lower TennCare enrollment as a percentage of total population than the state as a whole (17.6% compared to 21.5%).

UTMC plays a vital role in serving the needs of an area much larger than the MRI service area. UTMC is an academic, tertiary regional referral hospital. It has a Level I Trauma Center, and a Level III NICU, among many other specialty health care services.

5. **Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

There are 35 MRI units operating in the six county PSA. Utilization data for all MRI providers for 2012-2014, from the HSDA Medical Equipment Registry, is attached as Attachment C, I, Need, 5. The utilization trends may be summarized as follows:

The total number of MRI scans increased from 96,917 scans in 2012 to 98,074 in 2014, an increase of 1.2%. The total number of scans at UTMC increased from 17,557 in 2012 to 18,250 in 2014, an increase of 4%.

The number of scans per unit decreased from 1,993 in 2012 to 1,813 in 2014, a change of -9%. This is due to the fact that two additional units apparently came into service in 2014 (East Tennessee Medical Group and Ortho Tennessee Imaging Fort Sanders West). If the same number of MRI units that were in use in 2013 (33) is considered instead of the 35 that were in use in 2014, there would have been an average of 2,972 scans per unit in 2014. The number of scans per unit at UTMC increased from 4,389 in 2012 to 4,563 in 2014, an increase of 4%.

In 2013 the total number of scans both area-wide and at UTMC declined from the previous year. There is no reason known to the applicant for the decline, and the numbers increased again in 2014 over those of 2012.

Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Historical MRI Utilization:

2012: 17,557 scans

2013: 16,453 scans

2014: 18,250 scans

Projected MRI Utilization (5 Units):

Year 1: 19,651 scans

Year 2: 20,437 scans

Projected MRI Utilization (New Unit):

Year 1: 3,930

Year 2: 4,087

The projected total scans for Year 1 is equal to the annualized 2015 volume at UTMC. The projected number of total scans for Year 2 assumes a 4% growth rate from Year 1, which is the historical MRI growth rate at UTMC 2012-2014.

The projected scans for the proposed new unit in Year 1 equals the total projected scans divided by 5. The projected scans for Year 2 assumes a 4% historical MRI growth rate.

II. ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

    - **All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
    - **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
    - **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

The Project Costs Chart is attached on the following page.

A letter from the project architect is attached as Attachment C, II, Economic Feasibility, 1.

PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:	
	1. Architectural and Engineering Fees	$ 88,546
	2. Legal, Administrative, Consultant Fees	$30,000
	3. Acquisition of Site	
	4. Preparation of Site	
	5. Construction Costs	$ 1,106,824
	6. Contingency Fund	$ 166,024
	7. Fixed Equipment (Not included in Construction Contract)	$ 1,611,686
	8. Moveable Equipment (List all equipment over $50,000.00)	
	9. Other (Specify) 5-year Service Contract	$ 647,620
B.	Acquisition by gift donation, or lease:	
	1. Facility (Inclusive of building and land)	$ -
	2. Building Only	$ -
	3. Land Only	$ -
	4. Equipment (Specify)	$ -
	5. Other (Specify)	$ -
C.	Financing Costs and Fees:	
	1. Interim Financing	$ -
	2. Underwriting Costs	$ -
	3. Reserve for One Year's Debt Service	$ -
	4. Other (Specify)	$ -
D.	Estimated Project Cost (A+B+C)	$ 3,650,700
E.	CON Filing Fee	$ 8,214.07
F.	Total Estimated Project Cost (D & E)	$ 3,658,914.07
	TOTAL	$ 3,658,914.07

2. **Identify the funding sources for this project.**

   a. **Please check the applicable item(s) below and briefly summarize how the project will be financed.** ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

__ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

__ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

__ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**

__ **D. Grants--Notification of intent form for grant application or notice of grant award; or**

X **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**

A funding letter is attached as Attachment C, II, Economic Feasibility, 2.

__ **F. Other—Identify and document funding from all other sources.**

3. **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

The equipment cost is $2,259,306 including the maintenance agreement. The purchase was negotiated at arms-length among experienced business people, and the cost is reasonable.

The estimated construction cost is $1,106,824. For the 1,229 square foot addition, this is $900.59 per square foot. While this is substantially higher than the 3rd Quartile of approved costs for hospital construction projects, there are valid reasons for this discrepancy. The primary reason is the fact the square footage is so small there are no economies of scale. In addition, the complexity of construction for a MRI vault is much higher than for many other types of hospital construction. Due to lack of available space, UTMC has no alternative to this small scale, higher-than-average cost proposal. A letter from the project architect attesting to the reasonableness of the estimated construction costs is attached as Attachment C, II, Economic Feasibility, 1.

The approved construction costs chart is reflected below.

Hospital Construction Cost Per Square Foot

Years: 2012 – 2014	**New Construction**	**Renovated Construction**	**Total Construction**
1st Quartile	$110.98/sq ft	$224.09/sq ft	$156.78/sq ft
Median	$192.46/sq ft	$259.66/sq ft	$227.88/sq ft
3rd Quartile	$297.82/sq ft	$296.52/sq ft	$298.66/sq ft

4. **Complete Historical and Projected Data Charts on the following two pages--*Do not modify the Charts provided or submit Chart substitutions!* Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

Attached on the following pages are:

A Historical Data Chart for UTMC.

A Historical Data Chart for the MRI Department.

A Projected Data Chart for the MRI Department.

A Projected Data Chart for the proposed new MRI unit.

HISTORICAL DATA CHART (Whole Hospital)

Give information for the last three (3) years for which complete data are available for the facility or agency.

		Year: 2014	Year: 2013	Year: 2012
A.	Utilization/Occupancy Data			
	Patient Days	152,983	145,140	140,304
	Admissions	27,933	27,179	26,236
B.	Revenue from Services to Patients			
	1. Inpatient Services	$1,117,369,349	$1,034,322,749	$937,230,432
	2. Outpatient Services	$1,234,057,900	$1,018,516,185	$870,308,063
	3. Emergency Services	$104,486,587	$92,401,748	$80,512,914
	4. Other Operating Revenue	$41,150,773	$36,292,682	$36,995,697
	Specify: (See attached)			
	Gross Operating Revenue	$2,497,064,609	$2,181,533,364	$1,925,047,106
C.	Deductions from Operating Revenue			
	1. Contract Deductions	$1,683,949,242	$1,441,202,952	$1,261,043,583
	2. Provision for Charity Care	$47,361,935	$49,563,752	$30,743,462
	3. Provision for Bad Debt	$69,116,314	$62,179,073	$61,153,134
	Total Deductions	$1,800,427,491	$1,552,945,777	$1,352,940,179
	NET OPERATING REVENUE	$696,637,118	$628,587,587	$572,106,927
D.	Operating Expenses			
	1. Salaries and Wages	$240,561,536	$226,210,720	$216,440,445
	2. Physicians' Salaries and Wages	$51,393,190	$46,764,821	$39,500,656
	3. Supplies	$181,299,368	$164,820,110	$139,559,061
	4. Taxes	$255,794	$228,252	$252,680
	5. Depreciation	$28,142,259	$25,931,840	$24,490,737
	6. Rent	$7,998,416	$7,412,191	$6,156,839
	7. Interest, other than Capital	$5,696	$6,280	$4,533
	8. Management Fees:			
	a. Fees to Affiliates	$0	$0	$0
	b. Fees to Non-Alffiliates	$0	$0	$0
	9. Other Expenses	$161,792,556	$140,100,486	$129,207,515
	Specify: See Attached.			
	Total Operating Expenses	$671,448,815	$611,474,700	$555,612,466
E.	Other Revenue (Expenses)--Net	$11,914,593	$3,892,291	$15,561,176
	Specify: See Attached			
	NET OPERATING INCOME (LOSS)	$37,102,896	$21,005,178	$32,055,637
F.	Capital Expenditures			
	1. Retirement of Principal	$13,422,817	$10,998,099	$11,339,053
	2. Interest	$12,092,391	$12,270,742	$12,214,135
	Total Capital Expenditures	$25,515,208	$23,268,841	$23,553,188
	NET OPERATING INCOME (LOSS)	$37,102,896	$21,005,178	$32,055,637
	LESS CAPITAL EXPENDITURES	$25,515,208	$23,268,841	$23,553,188
	NOI LESS CAPITAL EXPENDITURES	$11,587,688	$2,263,663	$8,502,449

OTHER OPERATING REVENUE	2014	2013	2012
OTH REV DRUGS	8?,825	66,843	100,038
OTH REV COIN OP MACHINES	164,415	160,625	169,258
OTH REV MISC NON PAT	47,784	39,773	50,555
OTH REV MEDICAL RECORDS	30,409	24,656	29,244
OTH REV CLIN PASTORAL ED FEES	6,350	4,960	7,920
OTH REV TELEPHONE SERVICES	282,370	274,807	297,054
OTH REV LAUNDRY SUPPLIES	7,363	8,349	7,593
OTH REV FITNESS	118,574	118,070	118,914
OTH REV UNRESTRICTED INVEST	0	0	3
OTH REV PHYSICIANS MEALS	75,298	74,525	69,747
OTH REV NUTR & FOOD SPEC FUNC	76,439	90,585	72,329
OTH REV CARDIAC REHAB PHS III	44,484	52,426	55,556
OTH REV RADIOLOGY TUITION FEE	67,675	68,170	59,010
OTH REV NUC MED TUITION FEE	0	0	0
OTH REV LAUNDRY SERVICES	7,207	10,191	7,826
OTH REV BABY PICTURES	4,482	6,201	5,555
OTH REV UNRESTRD INVEST-UHS	6	106	0
OTH REV SCRAP METAL SALES	0	1,296	201
OTH REV I/C HEMOPHILIA	0	0	900
OTH REV EMPLOYEE ID BADGES	1,402	1,850	1,533
OTH REV AUDIO-VISUAL SERVICES	0	80	34
OTH REV TRANSCRIPTION SERV	69,611	84,113	200,998
OTH REV NURSING EDUCATION FD	20,776	25,690	31,819
OTH REV CANCER CTR UTILIZATION	87,731	102,582	201,074
OTH REV MATLS SUPPLIES-TAXED	2,175	37,840	59,283
OTH REV MATLS SUPPLIES-NONTAXD	25,658	17,219	27,390
OTH REV DUPLICATION SERVICES	5,523	3,667	5,461
OTH REV MISC	0	20,239	40
OTH REV PMG ADMIN	15,790	46,642	51,899
OTH REV MED TECH TUITION	12,367	0	0
OTH REV DYNACARE SUPPLIES	0	0	24
OTH REV MISCELLANEOUS LAB	25,252	133,368	150,302
OTH REV DYNACARE PERSONNEL SVC	2,790,884	3,216,099	3,351,479
OTH REV I/C SUSAN G KOMEN FDN	0	412	2,127
OTH REV EQUITY IN EARN-DYNACAR	68?,278	557,914	628,858
OTH REV NETWORK USAGE FEES	25,092	26,292	24,492
OTH REV I/C WAKE FOREST	0	21	885
OTH REV REHAB SUPPLIES	1,104	1,677	1,396
OTH REV CHEMO MIXING	0	5,451	21,214
OTH REV AUDIOLOGY SUPPLIES	126,178	177,497	166,958
OTH REV PHYSICAL THER SUPPLIES	2,930	5,080	2,277
OTH REV MORRSTN PATHO SALARIES	0	0	0
OTH REV TAX EXEMPT SPEC FUNCT	110,061	102,990	119,364
OTH REV REHAB SUPPLIES	2,267	3,844	4,271
OTH REV CHILDBIRTH EDUCATION	21,640	17,170	16,813
OTH REV I/C AVON BREAST CARE	0	0	6,110
OTH REV PRIVATE PARKING	36,018	40,193	41,905
OTH REV SALES TAX EXEMPT PRKG	6,244	5,520	5,560
OTH REV EQUITY IN EARN-UASC	0	0	0
OTH REV NEEDLESTICKS	7,652	4,396	3,262
OTH REV SPEECH LANGUAGE LESSON	0	725	0
OTH REV ALUMNI VERIF/CERTF FEE	0	140	225
OTH REV PREMIER ACCESS WARRANTY F	2,100	675	3,510
OTH REV BREAST PUMP RENTAL	40,045	51,072	47,074
OTH REV LACTATION SUPPLIES	2,213	3,053	2,947
OTH REV SPACE RENT	7,200	0	0
OTH REV MISC SERVICES	14,491	0	0
OTH REV COOKING CLASS REGISTRATIOI	2,761	2,534	3,391
OTH REV SURG TRAINING PROG TUITION	0	2,917	0
OTH REV UASC MED RECORD STORAGE	0	0	0
OTH REV UASC RISK MGT/COMPLIANCE	0	0	0
OTH REV MED TECH TUITION	84,975	88,050	76,809
OTH REV EQUITY IN EARN PREMIER	282,530	1,056,242	2,462
OTH REV UT HOME HEALTH	478,111	464,639	650,675
OTH REV EHR INCENTIVE-MEDICARE	765,437	1,390,055	2,176,568
OTH REV EHR INCENTIVE-MEDICAID	147,560	762,399	1,143,598
OTH REV EHR INCENTIVE-PHYSICIANS	496,990	768,020	631,481
OTH REV WOUND CARE CENTER	265	0	0
OTH REV UNIVERSITY ANESTHESIOLOGY	0	0	0
OTH REV TRAUMA SVC NET RECPTS	2,970	21,399	24,956
OTH REV CC NURSE TRAINING TUITION	2,167	278	4,667
OTH REV BLOUNT THORACIC SURGICAL S	0	228,806	214,301
OTH REV INTEREST UPA PHONE LEASE	5,228	5,811	604
OTH REV CANCER INSTITUTE INT HLTH	57,259	50,047	0
OTH REV SRNA UNIV ANESTH SUPPORT	50,000	50,000	0
OTH REV CONTRACT PHARMACIES	5,818,071	0	0
OTH REV INTEREST UPA PHONE TRAININ	382	0	0
OTH REV DEVELOPMENT OFFICE EVENTS	2,100	0	0
OTH REV AM EXP SIGNING BONUS	15,000	0	0
OTH REV UNIVERSITY PHARMACY	2,143,131	176,485	0
CONTRACT REVENUE-OTHER	126,171	150,186	392,712
NONPAT REV RESTAURANT	48,460	0	0
NONPAT REV GSM MOB RENT	666,378	643,652	647,777
NONPAT REV PARKING	957,136	907,288	943,569

NONPAT REV HALLS MEDICAL OFF	44,541	51,596	42,456
NONPAT REV HOSPITAL SPACE	1,764,928	1,745,227	1,913,885
NONPAT REV GSM IS SERVICES	135,588	135,588	135,588
NONPAT REV GSM TELECOMM SVC	199,601	206,923	234,648
NONPAT REV LAFOLLETTE SPACE	180,708	179,217	173,846
NONPAT REV BLDG LEASE DYNACARE	671,855	648,018	663,503
NONPAT REV DYNACARE COMP SVCS	406,366	383,211	405,205
NONPAT REV DYNACARE BIOMED SVC	35,964	34,876	83,703
NONPAT REV GSM BIOMED SVC	0	5,785	13,884
NONPAT REV BIOMED OTHER	0	0	45
NONPAT REV GSM DEVELOP OFFICE	473,688	488,688	498,615
NONPAT REV IS SVCS - KCVG	58,208	55,436	37,500
NONPAT REV CRNA PRSNL SERVICES	8,118,184	7,524,001	7,218,034
NONPAT REV FINANCE CHARGE	416	363	1,497
NONPAT REV LAFOLLETTE MED PLAZ	1,015	0	0
NONPAT REV NORTHSHORE MED PLAZ	18,080	20,657	0
NONPAT REV SEVIERVILLE MED PLA	84,748	77,251	73,113
NONPAT REV CRNA INSURANCE	224,879	199,844	201,096
NONPAT REV COMPUTER SERV UPA	117,689	111,247	107,782
NONPAT REV CORP WELLNESS PROGRAI	146,171	136,058	120,851
NONPAT REV MOB A	420,113	415,303	404,334
NONPAT REV MOB B	904,522	884,837	887,205
NONPAT REV MOB C	892,132	1,190,587	1,252,833
NONPAT REV MOB D	8,642	8,258	61,092
NONPAT REV MOB E	663,158	807,833	954,251
NONPAT REV CTB	26,980	26,189	25,060
NONPAT REV SMOOTHED LEASE RECEIP	27,557	58,174	38,035
NONPAT REV NNP INSURANCE LIABILITY	0	0	0
NONPAT REV HIGH RISK OB GROUP	10,987	10,464	10,414
NONPAT REV CANCER INSTITUTE RENT	125,653	65,096	6,962
NONPAT REV PHONE LEASE UPA	0	4,720	4,720
NONPAT REV MEADOWS&OHLY CONTRIB	30,000	30,000	10,000
NONPAT REV TURKEY CREEK MEDICAL P	20,489	6,784	0
NONPAT REV LHC PERSONNEL SVC	550,254	692,791	852,928
NONPAT REV PARK UTCOLLPHARM	12,779	13,185	14,209
NONPAT REV UT COLL PHARM OPERATIN	159,986	150,067	137,235
NONPAT REV UT COLL PHAR RENT	197,901	197,901	197,901
NONPAT REV UASC PAIN EQ	0	0	0
NONPAT REV OP DIAG CTR-TURKEY CREI	0	0	0
NONPAT REV MED-TRANS FACILITIES	85,000	85,000	85,000
NONPAT REV MED-TRANS MED CREW SR	3,149,609	3,034,518	2,891,462
NONPAT REV MED-TRANS PROF SRV	32,056	32,056	32,056
NONPAT REV MED-TRANS MSC MED CRE	33,333	333,333	33,333
NONPAT REV MED-TRANS MED DIRECTOI	61,128	64,193	58,579
NONPAT REV MED-TRANS COMMUNICATI	337,689	367,781	593,478
NONPAT REV MED-TRANS PROGRAM DIRI	148,316	146,303	137,991
NONPAT REV MED-TRANS DISP SUPPLIES	72,123	33,389	44,297
NONPAT REV MED-TRANS PHONE/BEEP	860	184	0
NONPAT REV BIOMARKER FACILITY RENT	19,735	3,662	41,542
NONPAT REV BIOMARKER FACILITY UTILI	24,339	14,198	34,480
NONPAT REV SEWER EASEMENT CANCEI	3,690	3,618	1,200
NONPAT REV GROUND LEASE CANCER IN	16,901	15,407	13,500
NONPAT REV WEBMD UTILIZATION	0	34,390	238,560
NONPAT REV BORROWED FDS 07	0	0	2
DISPOSAL, CAPITAL LEASES	16,127	0	20,639
DISPOSAL, EQUIPMENT	30,494	728,194	53,491
DISPOSAL, RECOVERIES	22,710	1,197	1,228
DONATIONS, RECEIVED GIFTS	990,646	1,200,183	3,017,091
AWARDS, RECEIVED GRANTS	1,904,039	1,728,145	3,399,516
DONATIONS, TRANSFERS TO TEMP REST	10,551	164,323	1,563,545
DONATIONS, RECEIVED IN-KIND	0	64,000	0
RELEASED FROM RESTRICTIONS-OPERA	555,512	174,898	591,533
RELEASED FROM RESTRICTIONS-CAPITA	1,686,103	1,717,485	1,812,199
CONTRIBUTIONS USED TO PURCHASE EC	1,497,958	1,922,094	3,606,812
	41,150,773	36,292,682	36,995,697

OTHER EXPENSES	2014	2013	2012
Purchased Services	101,838,442	86,847,562	76,399,010
Graduate Medical Education Reimbursement	32,726,269	31,806,637	31,120,692
Insurance	12,425,394	6,644,783	6,917,679
Maintenance and Utility	14,309,661	14,033,136	13,789,116
Other Expenses	492,790	768,368	981,018
	161,792,556	140,100,486	129,207,515

OTHER REVENUE (EXPENSES)-NET	2014	2013	2012
Contributions used for purchase of property and equipment	1,497,958	1,922,094	3,606,812
Investment Income	3,448,501	3,464,115	5,049,548
Change in Fair Value of Interest Rate Swap	5,215,696	(3,929,172)	3,995,761
Unrealized Gain (Losses)	1,752,438	2,435,254	2,909,055
TOTAL OTHER REVENUE - NET	11,914,593	3,892,291	15,561,176

HISTORICAL DATA CHART

MRI Dept.

		2014	2013	2012
A.	Utilization/Occupancy Data (CPTs)	18,250	16,453	17,557
B.	Revenue from Services to Patients			
	1. Inpatient Services	$10,804,036	$10,835,731	$10,837,034
	2. Outpatient Services	$54,840,589	$48,314,072	$51,769,036
	3. Emergency Services			
	4. Other Operating Revenue			
	Specify:			
	Gross Operating Revenue	$65,644,625	$59,149,803	$62,606,070
C.	Deductions from Operating Revenue			
	1. Contract Deductions	$54,898,977	$48,715,032	$50,797,267
	2. Provision for Charity Care	$1,544,062	$1,675,336	$1,238,406
	3. Provision for Bad Debt	$2,253,283	$2,101,755	$2,463,366
	Total Deductions	$58,696,322	$52,492,124	$54,499,039
NET OPERATING REVENUE		$6,948,303	$6,657,679	$8,107,031
D.	Operating Expenses			
	1. Salaries and Wages	$939,873	$846,112	$839,580
	2. Physicians' Salaries and Wages			
	3. Supplies	$453,959	$322,711	$278,850
	4. Taxes			
	5. Depreciation	$963,702	$959,433	$503,215
	6. Rent			
	7. Interest, other than Capital			
	8. Management Fees:			
	a. Fees to Affiliates			
	b. Fees to Non-Alffiliates			
	9. Other Expenses	$6,087	$7,032	$8,036
	Specify: See Sheet 2			
	Total Operating Expenses	$2,363,621	$2,135,288	$1,629,681
E.	Other Revenue (Expenses)--Net			
	Specify:			
NET OPERATING INCOME (LOSS)		$4,584,682	$4,522,391	$6,477,350
F.	Capital Expenditures			
	1. Retirement of Principal			
	2. Interest			
	Total Capital Expenditures	$0	$0	$0
NET OPERATING INCOME (LOSS)		$4,584,682	$4,522,391	$6,477,350
LESS CAPITAL EXPENDITURES		$0	$0	$0
NOI LESS CAPITAL EXPENDITURES		$4,584,682	$4,522,391	$6,477,350

	2014	2013	2012
075138 SERVICES, OTHER	$130	$240	
075160 SERVICES, COMMUN, POSTAGE/FRGT	$552	$761	$214
075162 SERVICES, COMMUN, PHONE/BEEPER	$2,447	$2,412	$2,641
075168 SERVICES, COMMUNICATION, OTHER		$318	$1,173
075180 SERVICES, MKTG, PUBLICITY	$575	$594	$1,207
075200 PRINTING	$1,108	$614	$1,229
075224 TRAVEL/TRANS, ENTERTAINMENT	$61	$26	
080111 RENT, COPY MACHINE	$1,214	$928	$840
080298 MAINT, OTHER		$1,061	$732
087995 OTHER OPERATING, CASH LOST/STO		$78	
	$6,087	$7,032	$8,036

PROJECTED DATA CHART

MRI Dept.

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

		Year 1	Year 2
A.	Utilization/Occupancy Data (CPTs)	19,651	20,437
B.	Revenue from Services to Patients		
	1. Inpatient Services	$ 12,950,400	$ 13,468,416
	2. Outpatient Services	$ 57,544,974	$ 59,846,773
	3. Emergency Services	$	$
	4. Other Operating Revenue (Specify) _____	$	$
	Gross Operating Revenue	**$ 70,495,374**	**$ 73,315,189**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	$ 58,955,281	$ 61,328,156
	2. Provisions for Charity Care	$ 1,691,889	$ 1,832,880
	3. Provisions for Bad Debt	$ 2,467,338	$ 2,639,347
	Total Deductions	**$ 63,114,508**	**$ 65,800,382**
NET OPERATING REVENUE		$ 7,380,866	$ 7,514,807
D.	Operating Expenses		
	1. Salaries and Wages	$ 1,038,583	$ 1,088,890
	2. Physicians' Salaries and Wages		
	3. Supplies	$ 491,275	$ 551,800
	4. Taxes		
	5. Depreciation	$ 53,915	$ 53,232
	6. Rent		
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates		
	b. Fees to Non-Affiliates		
	9. Other Expenses	$ 7,860	$ 8,175
	Specify: See "Other Expenses" tab		
	Total Operating Expenses	$ 1,591,633	$ 1,702,097
E.	Other Revenue (Expenses)--Net		
	Specify: _____		
NET OPERATING INCOME (LOSS)		$ 5,789,232	$ 5,812,710
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest		
	Total Capital Expenditures	$ -	$ -
NET OPERATING INCOME (LOSS)		$ 5,789,232	$ 5,812,710
LESS CAPITAL EXPENDITURES		$ -	$ -
NOI LESS CAPITAL EXPENDITURES		$ 5,789,232	$ 5,812,710

	Year 1	Year 2
075138 SERVICES, OTHER	168	175
075160 SERVICES, COMMUN, POSTAGE/FRGT	713	741
075162 SERVICES, COMMUN, PHONE/BEEPER	3,160	3,287
075180 SERVICES, MKTG, PUBLICITY	742	772
075200 PRINTING	1,431	1,488
075224 TRAVEL/TRANS, ENTERTAINMENT	79	82
080111 RENT, COPY MACHINE	1,568	1,631
	7,860	8,175

PROJECTED DATA CHART
New MRI Unit

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

		Year 1	Year 2
A.	Utilization/Occupancy Data (CPTs)	3,930	4,087
B.	Revenue from Services to Patients		
	1. Inpatient Services	$ 2,590,080	$ 2,693,683
	2. Outpatient Services	$ 11,508,995	$ 11,969,355
	3. Emergency Services	$	$
	4. Other Operating Revenue (Specify) _____	$	$
	Gross Operating Revenue	**$ 14,099,075**	**$ 14,663,038**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	$ 11,791,056	$ 12,265,631
	2. Provisions for Charity Care	$ 338,378	$ 366,576
	3. Provisions for Bad Debt	$ 493,468	$ 527,869
	Total Deductions	**$ 12,622,902**	**$ 13,160,076**
NET OPERATING REVENUE		$ 1,476,173	$ 1,502,961
D.	Operating Expenses		
	1. Salaries and Wages	$ 236,822	$ 246,884
	2. Physicians' Salaries and Wages		
	3. Supplies	$ 98,255	$ 110,360
	4. Taxes		
	5. Depreciation	$ 29,774	$ 29,774
	6. Rent		
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates		
	b. Fees to Non-Affiliates		
	9. Other Expenses	$ 1,572	$ 1,635
	Specify: See Sheet 2		
	Total Operating Expenses	$ 366,423	$ 388,653
E.	Other Revenue (Expenses)--Net		
	Specify: _____		
NET OPERATING INCOME (LOSS)		$ 1,109,750	$ 1,114,308
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest		
	Total Capital Expenditures	$ -	$ -
NET OPERATING INCOME (LOSS)		$ 1,109,750	$ 1,114,308
LESS CAPITAL EXPENDITURES		$ -	$ -
NOI LESS CAPITAL EXPENDITURES		$ 1,109,750	$ 1,114,308

	Year 1	Year 2
075138 SERVICES, OTHER	34	35
075160 SERVICES, COMMUN, POSTAGE/FRGT	143	148
075162 SERVICES, COMMUN, PHONE/BEEPER	632	657
075180 SERVICES, MKTG, PUBLICITY	148	154
075200 PRINTING	286	298
075224 TRAVEL/TRANS, ENTERTAINMENT	16	16
080111 RENT, COPY MACHINE	314	326
	1,572	1,635

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Average Gross Charge: $3,588 per scan
Average Deduction: $3,211.93 per scan
Average Net Charge: $375.62 per scan

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

A Charge Master is attached as Attachment C, II, Economic Feasibility, 6. These represent current charges and proposed charges. This project will have no impact on current charges. Anticipated revenues are reflected on the Projected Data Chart.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

The average gross charges for the hospital-based MRIs in the PSA are reflected below. The Medicare allowable fees are reflected on the Charge Master.

County	Provider	Year	Total Scans	Total Gross Charges	Avg. Gross Charge per Scan
Blount	Blount Memorial Hospital	2014	5768	$36,271,861.00	$6,288.46
Jefferson	Jefferson Memorial Hospital	2014	2253	$9,248,134.00	$4,104.81
Knox	East Tennessee Children's Hospital	2014	2849	$6,519,216.00	$2,288.25
Knox	Fort Sanders Regional Medical Center	2014	7477	$15,534,870.00	$2,077.69
Knox	Parkwest Medical Center	2014	8037	$17,428,571.00	$2,168.54
Knox	Physicians Regional Medical Center	2014	3913	$14,009,943.00	$3,580.36
Knox	Turkey Creek Medical Center	2014	2408	$10,413,023.00	$4,324.35
Knox	The University of Tennessee Medical Center	2014	18250	$63,680,663.00	$3,489.35
Loudon	Fort Loudoun Medical Center	2014	2055	$4,199,167.00	$2,043.39
Monroe	Sweetwater Hospital Association	2014	2057	$14,553,000.00	$7,074.87
Sevier	LeConte Medical Center	2014	4627	$9,471,584.00	$2,047.02

Source: HSDA Medical Equipment Registry 9/8/15

7. **Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

As reflected on the Projected Data Charts the projected utilization, which is conservative because it based on the 2015 annualized volume, is sufficient to generate a positive NOI in Year 1.

8. **Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

As reflected on the Projected Data Charts, financial viability will be achieved in Year 1.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

UTMC participates in Medicare and TennCare, and is contracted with all TennCare MCOs operating in the area.

The anticipated Medicare and TennCare revenues and payor mixes for Year 1 are reflected below. This is based on the PDC for the proposed new MRI unit.

Program	Mix	Gross Revenue	Net Revenue
Medicare:	39.7%	$5,597,333	$586,041
TennCare	9%	$1,268,917	$132,856

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Copies of the audited financials with notes are attached as Attachment C, II, Economic Feasibility, 10.

11. **Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

a. **A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

No such alternatives were identified. Lower cost alternatives such as a lower field magnet strength or a refurbished unit would not meet the needs of UTMC and its patients.

b. **The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Sharing arrangements are not practical or desirable in light of the overwhelming volume of MRI scans being performed at UTMC. There is not adequate space in the existing MRI Department in which to place the new MRI unit. It was determined placing the new MRI unit at a different location on the campus would be inefficient. There is no superior alternative to new construction.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

   A list of health care providers with which UTMC has contractual or working arrangements is attached as Attachment C, III, Orderly Development, 1.

2. **Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

   This additional MRI unit will have a positive effect on UTMC and its patients by making MRI services at UTMC accessible on a more timely basis. The additional MRI unit does not represent duplication of services because UTMC is already a provider of MRI services.

This project will not have a negative impact on other MRI providers. The new MRI unit will serve to decongest the exiting MRI units at UTMC and give additional capacity for growth. It will not significantly affect any other provider's MRI volume.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

Current MRI Staffing	FTEs	Wage	Median Wage
MRI Technologist	16.8	$26.91	$23.49
Proposed MRI Staffing (Net)			
MRI Technologist	1.5	$26.91	$23.49

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

   The required additional 1.5 FTE MRI Technologist position will not be difficult to fill. UTMC will comply with all staffing recommendations or requirements of the American College of Radiology and any licensing or accrediting agencies.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

   The executive and clinical leadership at UTMC understand all of the foregoing and will maintain compliance with the same.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).**

   UTMC has a total of 217 Residents and Fellows (physicians in advanced training) interacting with and/or treating patients every day, fulfilling UTMC's role as a teaching hospital and training the next generation of physicians. 15 of this number are in Dentistry (10 are in Oral-Maxillofacial Surgery and are essential to the trauma programs). 19 of these Residents/Fellows are supported by funding other than

UTMC's Medicare funded allocations. In addition, UTMC participates in training a number of additional clinical specialties. A list of institutions with which UTMC has Educational Affiliation Agreements is attached as Attachment C, III, Orderly Development, 6.

7. (a) **Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The executive and clinical leadership at UTMC understand all of the foregoing and will maintain compliance with the same.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health, Board for Licensing Health Care Facilities

Accreditation: The Joint Commission

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

UTMC is in good standing with all licensing and accrediting agencies. A copy of the hospital license is attached as Attachment C, III, Orderly Development, 7.

8. **For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

UTMC is accredited by The Joint Commission, and has not had a state licensure and certification survey in many years. The Joint Commission conducted an un-announced re-accreditation survey on September 9-12, 2014. UTMC was fully re-accredited effective September 13, 2014. A copy of the results is attached a Attachment C, III, Orderly Development, 8.

9. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

10. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project**

None.

11. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If the proposal is approved, UTMC will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The Publication of Intent was published in the Knoxville News Sentinel on September 10, 2015. A Publisher's Affidavit is attached following this page.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

   A Project Completion Forecast Chart is attached on the following page.

2. **If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

   N/A.

Attn:
To: UT MEDICAL CENTER

(Advertising) NOTIFICATION OF INTENT TO APPLY FOR **(Ref No:** 682851)

P.O.#:

PUBLISHER'S AFFIDAVIT

State of Tennessee }
S.S
County of Knox }

Before me, the undersigned, a Notary Public in and for said county, this day personally came Louise Watkins first duly sworn, according to law, says that he/she is a duly authorized representative of *The Knoxville News-Sentinel*, a daily newspaper published at Knoxville, in said county and state, and that the advertisement of:

(The Above-Referenced)

of which the annexed is a copy, was published in said paper on the following date(s):

09/10/2015

and that the statement of account herewith is correct to the best of his/her knowledge, information, and belief.

Louise Watkins

Subscribed and sworn to before me this 14th day of September 20 15

Karan Dixon
Notary Public

My commission expires MY COMMISSION EXPIRES: June 26, 2017 20

KARAN DIXON
STATE OF TENNESSEE
NOTARY PUBLIC
BLOUNT COUNTY

Notice Of Foreclosure

3, REGISTER'S OFFICE, CUMBERLAND COUNTY, TENNESSEE, TO WHICH PLAT REFERENCE IS HEREBY MADE FOR A MORE COMPLETE DESCRIPTION OF THE SUBJECT PROPERTY.

ALSO KNOWN AS: 12 Cheshire Court, Crossville, TN 38558

This sale is subject to all matters shown on any applicable recorded plat; any unpaid taxes; any restrictive covenants, easements, or setback lines that may be applicable; any statutory rights of redemption of any governmental agency, state or federal; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. In addition, the following parties may claim an interest in the above-referenced property:

OWEN, EDWARD F.
OWEN, MARION E.
AMTEC FUNDING GROUP, LLC
FAIRFIELD GLAD COMMUNITY CLUB

The sale held pursuant to this Notice may be rescinded at the Successor Trustee's option at any time. The right is reserved to adjourn the day of the sale to another day, time, and place certain without further publication, upon announcement at the time and place for the sale set forth above.

W&A No. 302839
DATED August 31, 2015

WILSON & ASSOCIATES, P.L.L.C., Successor Trustee

FOR SALE INFORMATION, VISIT WWW.MYFIR.COM and WWW.REALTYTRAC.COM

SUBSTITUTE TRUSTEE'S NOTICE OF FORECLOSURE SALE

Default having been made in the terms, conditions, and payments provided in a certain Deed of Trust dated DECEMBER 29, 2006, executed by GRANT RICHARD LOVELL (JOINED BY HIS WIFE, LAUREN LOVELL), to LAKEWAY TITLE, Trustee, of record in BOOK 1242, PAGE 52, for the benefit of MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC. AS NOMINEE FOR FIRST HORIZON HOME LOAN CORPORATION D/B/A FIRST TENNESSEE HOME LOANS, in the Register's Office for COCKE County, Tennessee and to J. PHILLIP JONES AND/OR JESSICA D. BINKLEY, either of whom may act, appointed as Substitute Trustee in an instrument of record in the Register's Office for COCKE County, Tennessee, to secure the indebtedness described; WHEREAS, the said Deed of Trust was last assigned to TENNESSEE HOUSING DEVELOPMENT AGENCY; [illegible] ... J. PHILLIP JONES/JESSICA D. BINKLEY, will by virtue of the power and authority vested in me as Substitute Trustee, on TUESDAY, OCTOBER 20, 2015 AT 10:00 A.M. (LOCAL TIME) AT THE FRONT DOOR OF THE COCKE COUNTY COURTHOUSE, NEWPORT, TENNESSEE, sell to the highest bidder for cash, free from the equity of redemption, homestead, and dower, and all other exemptions which are expressly waived, and subject to any unpaid taxes, if any, the following described property in COCKE County, Tennessee, to wit:

PROPERTY LOCATED IN THE COUNTY OF COCKE, TENNESSEE:

[illegible]

THIS IS IMPROVED PROPERTY KNOWN AS 182 CLEVENGER CUT OFF ROAD, NEWPORT, TN 37821.

MAP 045M GROUP E PARCEL 005.00

[illegible]

OTHER INTERESTED PARTIES: NONE OF RECORD

THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

This day, September 8, 2015. This is improved property known as 182 CLEVENGER CUT OFF ROAD, NEWPORT, TN 37821.

J. PHILLIP JONES/JESSICA D. BINKLEY, SUBSTITUTE TRUSTEE
1800 HAYES STREET
NASHVILLE, TN 37203
(615) 254-4430
www.phillipjoneslaw.com
F15-0738

SUBSTITUTE TRUSTEE'S NOTICE OF FORECLOSURE SALE

Default having been made in the terms, conditions, and payments provided in a certain Deed of Trust dated MAY 15, 2003, executed by FALEASHA J. ROBINSON AND LEWIS C. ROBINSON WIFE AND HUSBAND, to CHARLES E. TONKIN, II, A KNOX COUNTY RESIDENT, Trustee, of record in BOOK 1553, PAGE 43, for the benefit of MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC. AS NOMINEE FOR MORTGAGE INVESTORS GROUP, in the Register's Office for ANDERSON County, Tennessee and to J. PHILLIP JONES AND/OR JESSICA D. BINKLEY,

Notice Of Foreclosure

either of whom may act, appointed as Substitute Trustee in an instrument of record in the Register's Office for ANDERSON County, Tennessee, to secure the indebtedness described; WHEREAS, said Deed of Trust was last assigned to TENNESSEE HOUSING DEVELOPMENT AGENCY; [illegible] ... will by virtue of the power and authority vested in me as Substitute Trustee, on TUESDAY, SEPTEMBER 22, 2015 AT 2:00 P.M. (LOCAL TIME) AT THE FRONT DOOR OF THE ANDERSON COUNTY COURTHOUSE, IN CLINTON, ANDERSON COUNTY, TENNESSEE, sell to the highest bidder for cash, free from the equity of redemption, homestead, and dower, and all other exemptions which are expressly waived, and subject to any unpaid taxes, if any, the following described property in ANDERSON County, Tennessee, to wit:

SITUATED IN THE 2ND (SECOND) CIVIL DISTRICT OF ANDERSON COUNTY, TENNESSEE, IN THE CITY OF OAK RIDGE, TO-WIT:

[illegible]

PARCEL: 099O-D-016.00
ADDRESS: 107 WALSH LANE, OAK RIDGE, TN 37830

THIS IS IMPROVED PROPERTY KNOWN AS 107 WALSH LANE, OAK RIDGE, TN 37830.

[illegible]

OTHER INTERESTED PARTIES: TENNESSEE HOUSING DEVELOPMENT AGENCY

THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

This day, August 17, 2015. This is improved property known as 107 WALSH LANE, OAK RIDGE, TN 37830.

J. PHILLIP JONES/JESSICA D. BINKLEY, SUBSTITUTE TRUSTEE
1800 HAYES STREET
NASHVILLE, TN 37203
(615) 254-4430
www.phillipjoneslaw.com
F15-0950

SUBSTITUTE TRUSTEE'S NOTICE OF FORECLOSURE SALE

Default having been made in the terms, conditions, and payments provided in a certain Deed of Trust dated MAY 04, 2007, executed by DONNA FINE, UNMARRIED, to CHARLES E. TONKIN, II, A RESIDENT OF KNOX COUNTY, TENNESSEE, Trustee, of record in BOOK 1453, PAGE 1531, for the benefit of MORTGAGE ELECTRONIC REGISTRATION SYSTEMS, INC. AS NOMINEE FOR MORTGAGE INVESTORS GROUP, in the Register's Office for ANDERSON County, Tennessee and to J. PHILLIP JONES AND/OR JESSICA D. BINKLEY, either of whom may act, appointed as Substitute Trustee in an instrument of record in the Register's Office for ANDERSON County, Tennessee, to secure the indebtedness described; WHEREAS, said Deed of Trust was last assigned to TENNES-

Notice Of Foreclosure

SEE HOUSING DEVELOPMENT AGENCY, the entire indebtedness having been declared due and payable by TENNESSEE HOUSING DEVELOPMENT AGENCY BY AND THROUGH ITS SERVICER AND AUTHORIZED AGENT, U.S. BANK NATIONAL ASSOCIATION, being the present owner/holder or authorized agent, designee or servicer of the holder/owner of said indebtedness, has requested foreclosure proceedings to be instituted; and as provided in said Deed of Trust, I, J. PHILLIP JONES/JESSICA D. BINKLEY, will by virtue of the power and authority vested in me as Substitute Trustee, on TUESDAY, SEPTEMBER 22, 2015 AT 2:00 P.M. (LOCAL TIME) AT THE FRONT DOOR OF THE ANDERSON COUNTY COURTHOUSE, IN CLINTON, ANDERSON COUNTY, TENNESSEE, sell to the highest bidder for cash, free from the equity of redemption, homestead, and dower, and all other exemptions which are expressly waived, and subject to any unpaid taxes, if any, the following described property in ANDERSON County, Tennessee, to wit:

SITUATED IN THE FIRST (1ST) CIVIL DISTRICT OF ANDERSON COUNTY, TENNESSEE AND BEING MORE PARTICULARLY DESRIBED AS FOLLOWS, TO WIT:

[illegible]

THIS IS IMPROVED PROPERTY KNOWN AS 116 SHIPE ROAD, POWELL, TN 37849.

MAP 096K GRP A PARCEL 003.00

[illegible]

OTHER INTERESTED PARTIES: NONE OF RECORD

THIS IS AN ATTEMPT TO COLLECT A DEBT AND ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE.

This day, August 17, 2015. This is improved property known as 116 SHIPE ROAD, POWELL, TN 37849.

J. PHILLIP JONES/JESSICA D. BINKLEY, SUBSTITUTE TRUSTEE
1800 HAYES STREET
NASHVILLE, TN 37203
(615) 254-4430
www.phillipjoneslaw.com
F15-0268

Request for Bids

PUBLIC NOTICE INVITATION TO BID

Oak Ridge Schools is seeking qualified bids for insurance for student computing devices. Bids will be accepted until 3PM EDT on September 15th, 2015. Bid information can be obtained from the Oak Ridge Schools website www.ortn.edu/bid. If you have any questions contact Mary Casteel-Waters at 865-425-9005 or by e-mail at mmcasteelwaters@ortn.edu

Request for Bids

REQUEST FOR BID BID PACKAGES JEFFERSON COUNTY WORKHOUSE HVAC

McSpadden Inc., Construction Manager for Jefferson County, is accepting bids for the following bid package for the existing Jefferson County Workhouse: HVAC.

Please contact McSpadden Inc. at (865) 397-3823 to obtain specific bid package information. Construction Drawings and Specifications are available for purchase at McSpadden Inc. 613 East Meeting St. Dandridge, TN and Knoxville Builders Exchange.

A mandatory Pre-Bid meeting will be held at the Jefferson County Courthouse, 202 West Main Street, Dandridge, TN, at 9:00 am on Wednesday, September 23. Proposals will be accepted until 2:00 p.m., Tuesday, October 13, 2015, at Jefferson County Finance Department, 1344 Gay Street, Dandridge, TN. McSpadden Inc. and/or Jefferson County reserves the right to reject any or all proposals, to accept any proposal which meets the specifications, and to waive any formality or technicality in any proposal in the best interest of McSpadden Inc. or Jefferson County. Requests for information can be sent to McSpadden Inc., at kevin@mcspaddeninc.com.

Real Estate Sales

North

FSBO 3 BR, 2 BA NEEDS: new roof, paint in/out, new crpt, new furnace. 5511 Jericho Ln 37938. 3022-1630

West

3 BR 2 BA ranch, Bearden, fence, 2 car gar., hdwd floors, new roof. $155,000. 865-591-2650

Homes For Sale

WEST HILLS HOME - LOCATION - 8721 Chesterfield Dr, 37909, 4BR, West Hills Home w/ 4 bed, 3 bath, dining room, 2 kitchens, bonus. All major systems replaced. Call 865-229-3900.

Condos-Unfurn

ASSUME LEASE OF 1 BR CONDO at the Woodlands, avail. immed. $1575/mo. or $525 for BR/BA. (865)309-0818

Lake Property

Lakefront Mfg home, 3/4 acre, 4 BR, 1920 SF, near I-40 Kingston exit, REDUCED to $59,000. (865)307-0440

Farms & Acreage

48 ACRES - Bush road, 0BR, 48acres of wooded area, great for hunters, across from lake, located in Magpart,TN, 30 miles from Cookeville (615)489-7828

Manufactured Homes

I BUY OLDER MOBILE HOMES. 1990 up, any size OK. 865-384-5643

For Sale By Owner

AFFORDABLE CONVENIENCE - 2115 Paris Road, 0BR, Convenient to all of Knoxville, nice neighborhood, sweet yard and front porch (865)414-6366

Lots/Acreage for Sale

47 ACRES FOR LEASE in the 6th Civil District of Morgan Co. off Brewster Town Rd.
A. Good hunting, deer & turkey
B. Field good for row crops
C. Hillside can be fenced & grazed livestock
D. Water & elec. on property.
E. Pond on farm
Avail. mid Sept. Will give long term lease. 941-626-8450

680 ACRES IN WEST LIBERTY KY/Morgan Co. Great timber investment. Exc. hunting. Creek & stream. 4 mi. from town. $600,000 (239)231-2228

Real Estate Auction

ABSOLUTE Auction

ONLINE ONLY BIDDING

ENDING TUESDAY SEPTEMBER 15TH 2015 AT 3:00 PM EDT

SCOTT MCCARTER FARM

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PRIME 45+/- AC ACRES - COMMERCIAL & BABY FARMS (Owner/Agent)

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RIVERSIDE MANOR
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1 BR Apt Now Available
A/C, Heat, Water & Electric Included
OnSite Laundry, Computer Center & Resident Services
Great location! On the Bus Line! Close to Shopping!
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FURNISHED 3BR, 2 1/2 BA, 2 car gar., 6 mo. rental - Nov. 1st to May 1st, 1st & last, $1150 mo + elec., no pets, no smoking, Tellico Harbor, Vonore. Call 770-403-7840.

Homes Unfurnished

2 BR, 1 BA WEST 5 min. UT, C H&A, W/D conn., HW flrs, fenced yd. $550/mo. + DD. Sect. 8. Cr. ck. (865)216-3083

ATTENTION ATTENTION
Rancher avail. in Creek Stone Subd., Straw Plains, min. from Interstate. Lease Purchase equity. 3 BR, 2 BA. To lease $1398 mo. Owner Financing Avail. Call for appt anytime, Larry Jones (865) 207-3938

Beautiful new 3 BR 2 1/2 BA brick home N.W. Avail. 9/17/15. DR, bonus rm, frpl. & pool in subd. No lease req'd. Just 30 day notice. $1600 mo. 865-300-2070

GATLINBURG, 2 BR, 1 BA
$750 + dep. No smoking. No pets.
(865)310-5556

Homes Unfurnished

HOUSE FOR RENT 3 BDRM - 8512 Barron Dr., 0BR, Pets allowed. 3 bedroom,1.5 bath,living room and dining room. Large back yard with attached deck. Attached garage. (865)712-1793

LENOIR CITY - 3 BR, 1.5 BA, 1400 SF, 2 car carport, country setting. $900/mo. + $900 dep. (865)740-2098

NORTH, 3 BR + bonus, 2 1/2 BA, Shannon Valley Subd. Incl all appls. Many subd. amenities. $1475. Call Lydia 865-804-6012

Rocky Hill, 3 BR, 1 1/2 BA, stv, refrig, DW, W/D conn., gar., $850 mo + DD. 1 yr lease. No pets. (865) 882-9033

SOUTH 2 BR - very close to Umps, downtown & UT, new hdwd, paint & fridge. Big deck w/fenced backyd in great n'bhd, $750/mo. $750 dep. 865-388-8737

WEST, - 3BR, 2BA, 1850 SF, FP, 2 car det. gar., Apollo Dr., 37921, refs. req., $975 mo. David (865)686-4956

Condos Unfurnished

AWESOME LOCATION. Like New 2BR/2BA. Just remodeled. New Everything. Tile, Stunning Pergo wood floors, Lighting, Paint, New bathrooms. W/In closets.Deck. Next to Adair park.2 min to Broadway &I-640. $95k. Will finance@ 6%. $5K down. 423-351-3410

WEST FARRAGUT AREA - 2BR, 2BA, gar., screen porch, $850 mo. Lease & refs. (865)405-5908.

Duplx/Multplx Unfurn

WEST, 2 BR, 1000 SF, completely remodeled & updated, lg yard, outside storage, no pets or smoking. $750 mo + dep. Credit report req'd. (865) 919-2307

Townhouse/Villas Unfurn

West, 1450 SF 2BR, 2 1/2 BA, 1 car gar. W&D, Pool. $1050 mo. $900 dep. Cr. ck., 1 yr. lse. No pets. (865)675-4276

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Commercial Property /Sale

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O-1 Zoning
Great Office Location
Conveniently located to UT, Airport, UT Hospital, Pellissippi Pkwy and Downtown Business District.

Originally Duplex converted to Office use. Zoned O-1, 2 Kit., 3.5 Baths. Possibility of dividing into two separate offices. Large 2 car attached garage – ideal for expansion or storage. Circular driveway with area for parking. 2 HVAC Systems and Roof (New) $199,000

Hop Bailey Co. 584-2004 | Fay Bailey 679-8395

Public Notices

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that University of Tennessee Medical Center (UTMC), owned and managed by University Health System, Inc., a Tennessee not-for-profit corporation, intends to file an application for a Certificate of Need for the acquisition of a magnetic resonance imaging (MRI) unit with a cost in excess of $2 million. The proposed new MRI unit will be operated under UTMC's hospital license and will be located on the main hospital campus at 1924 Alcoa Highway, Knoxville, Knox County, Tennessee. UTMC is licensed as a general acute care hospital by the Tennessee Board for Licensing Health Care Facilities. No changes in services or inpatient beds are involved in this project. The estimated project cost is not to exceed $3,300,000.

The anticipated date of filing the application is September 15, 2015.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee, 37219. 615-724-3247.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c)(3): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): December 2015

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

PHASE	DAYS REQUIRED	ANTICIPATED DATE (Month/Year)
1. Architectural and engineering contract signed	45	2/2016
2. Construction documents approved by the Tennessee Department of Health	180	6/2016
3. Construction contract signed	200	7/2016
4. Building permit secured	200	7/2016
5. Site preparation completed	230	8/2016
6. Building construction commenced	230	8/2016
7. Construction 40% complete	280	10/2016
8. Construction 80% complete	330	11/2016
9. Construction 100% complete (approved for occupancy	356	12/2016
10. *Issuance of license	NA	
11. *Initiation of service	386	1/2017
12. Final Architectural Certification of Payment	386	1/2017
13. Final Project Report Form (HF0055)	416	2/2017

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

LIST OF ATTACHMENTS

Organizational documentation	Attachment A, 4
Lease and Transfer Agreement	Attachment A, 6
FDA approval letter	Attachment B, II, E, 1, a
Quote from equipment vendor	Attachment B, II, E, 3
Site plan	Attachment B, III, (A)
Floor plan	Attachment B, IV
Letter from the project architect	Attachment C, I, Need, Guidelines, (1)
MRI emergency protocol	Attachment C, I, Need, Guidelines, (2)
MRI medical necessity protocol	Attachment C, I, Need, Guidelines, (3)
Map of the service area	Attachment C, I, Need, 3
Population and demographics	Attachment C, I, Need, 4
MRI utilization data 2012-2014	Attachment C, I, Need, 5
Funding letter	Attachment C, II, Economic Feasibility, 2
Charge Master	Attachment C, II, Economic Feasibility, 6
Audited financials with notes	Attachment C, II, Economic Feasibility, 10
List of contractual or working arrangements	Attachment C, III, Orderly Development, 1
List of Educational Affiliation Agreements	Attachment C, III, Orderly Development, 6
Hospital license	Attachment C, III, Orderly Development, 7
The Joint Commission survey results	Attachment C, III, Orderly Development, 8

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Filing Information

Name: **UNIVERSITY HEALTH SYSTEM, INC.**

General Information

SOS Control # :	**362499**	Formation Locale:	TENNESSEE
Filing Type:	Corporation Non-Profit - Domestic	Date Formed:	12/21/1998
Filing Date:	12/21/1998 3:08 PM	Fiscal Year Close	12
Status:	Active		
Duration Term:	Perpetual		
Public/Mutual Benefit:	Public		

Registered Agent Address
BENNETT L COX
STE 330
2121 MEDICAL CENTER WAY
KNOXVILLE, TN 37920-3282

Principal Address
BENNETT L. COX
STE 330
2121 MEDICAL CENTER WAY
KNOXVILLE, TN 37920-3282

The following document(s) was/were filed in this office on the date(s) indicated below:

Date Filed	Filing Description	Image #
03/25/2014	2013 Annual Report	A0226-0718
03/27/2013	2012 Annual Report	A0167-2117
	Principal Address 3 Changed From: No value To: BENNETT L. COX	
06/12/2012	Articles of Amendment	7064-1021
04/02/2012	2011 Annual Report	A0115-1467
	Principal Address 1 Changed From: 1520 CHEROKEE TRAIL To: 2121 MEDICAL CENTER WAY	
	Principal Postal Code Changed From: 37920-2205 To: 37920-3282	
	Principal County Changed From: KNOX To: KNOX COUNTY	
	Registered Agent Physical Address 1 Changed From: 1520 CHEROKEE TRL To: 2121 MEDICAL CENTER WAY	
	Registered Agent Physical Postal Code Changed From: 37920-3279 To: 37920-3282	
03/25/2011	2010 Annual Report	A0064-0002
	Principal County Changed From: Knox County To: Knox	
03/25/2010	2009 Annual Report	A0013-0018
03/17/2009	2008 Annual Report	6479-0989
03/28/2008	2007 Annual Report	6267-2056
02/08/2007	2006 Annual Report	5942-2535

Attachment A, 4

Filing Information

Name: **UNIVERSITY HEALTH SYSTEM, INC.**

02/08/2007	Articles of Amendment	5942-2510
03/29/2006	2005 Annual Report	5743-0140
03/31/2005	2004 Annual Report	5410-1020
04/02/2004	2003 Annual Report	5098-0253
	Principal Address Changed	
	Registered Agent Physical Address Changed	
	Mail Address Changed	
03/31/2003	2002 Annual Report	4773-0403
03/26/2002	2001 Annual Report	4459-2072
03/29/2001	2000 Annual Report	4162-0902
01/11/2001	Registered Agent Change (by Entity)	4084-1731
	Registered Agent Physical Address Changed	
	Registered Agent Changed	
06/08/2000	1999 Annual Report	3925-0967
	Principal Address Changed	
	Registered Agent Physical Address Changed	
06/16/1999	Amended and Restated Formation Documents	3693-2465
05/14/1999	Amended and Restated Formation Documents	3685-0593
12/21/1998	Initial Filing	3595-2039

Active Assumed Names (if any)	Date	Expires

CHARTER

OF

UNIVERSITY HEALTH SYSTEM, INC.

Pursuant to the provisions of the Tennessee Nonprofit Corporation Act, the undersigned corporation (the "Corporation") adopts the following Charter:

1. The name of the Corporation is University Health System, Inc.

2. The Corporation is a public benefit corporation.

3. It is intended that the Corporation will qualify at all times as an organization exempt from federal income tax under Section 501(a) and 501(c)(3) of the Internal Revenue Code of 1986 or the corresponding provisions of any future United States Internal Revenue Law (referred to herein as the "Code"), that it will qualify at all times as an organization to which deductible contributions may be made pursuant to Sections 170, 642, 2055 and 2522 of the Code, and that it will qualify as other than a private foundation described in Section 509 of the Code. The Corporation is a public benefit corporation within the meaning of T.C.A. § 48-51-101, et seq. formed for charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code, including, but not limited to, operating the University of Tennessee Memorial Research Center and Hospital (the "Hospital") in a manner which will fulfill the Hospital's mission statement of dedication to its continuation as the premier center to offer medical care to the underserved population of the thirteen (13) county area served by the Hospital as required by T.C.A. § 49-9-1301; providing health care services for the residents of the region and beyond, including specialized care that is customarily available at academic medical centers; supporting medical research and education; providing a patient base for training physicians, dentists, nurses and other health professionals; supporting clinical research and research training; contracting with, forming joint ventures and partnerships with, and owning interests in other for profit organizations which provide health care services within or as a part of integrated health care delivery systems; and any other activity which supports the delivery of health care services, but only to the extent and in such manner that such purposes constitute exclusively charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code.

4. The street address of the initial registered office of the Corporation is 9000 Executive Park Drive C-200, Knoxville, Knox County, Tennessee 37923, and the initial registered agent for the Corporation at that office is C.E. Bilbrey, III.

5. The name and address of the incorporator is:

M. Kevin Outterson
1700 Nashville City Center
511 Union Street

Nashville, Tennessee 37219

6. The street address of the principal office of the Corporation is 9000 Executive Park Drive C-200, Knoxville, Knox County, Tennessee 37923.

7. The Corporation is not for profit.

8. The Corporation will not have members. The Corporation shall have no capital stock.

9. The number of directors shall be seventeen (17), and the Board of Directors of the Corporation (the "Board of Directors") shall be comprised of the following persons:

(a) The President of The University of Tennessee, or his designee.

(b) The Chancellor of The University of Tennessee, Memphis, or his designee.

(c) The Dean of The University of Tennessee, Memphis Graduate School of Medicine, or his designee.

(d) The President of University Physicians' Association, Incorporated, or its successor.

(e) The President and Chief Executive Officer of the Corporation.

(f) Two (2) directors appointed by the President of The University of Tennessee and approved by the Board of Trustees of The University of Tennessee who have experience in business, health care management, legal or financial affairs or other qualifications deemed important by the Board of Trustees.

(g) One (1) director who is a past Chief of Staff of the Hospital and who is an active member of the Medical Staff of the Hospital, elected by the Board of Directors from a list of nominees developed by its Nominating Committee.

(h) One (1) director who is a full-time or part-time faculty member of The University of Tennessee, Memphis Graduate School of Medicine and who is an active member of the Medical Staff of the Hospital elected by the Board of Directors from a list of nominees developed by its Nominating Committee.

(i) One (1) director who is a member of University Physicians' Association, Incorporated elected by the Board of Directors from a list of nominees developed by its Nominating Committee.

(j) One (1) director who is not a physician, who is not an employee of The University of Tennessee or the Corporation and who is actively practicing as a licensed healthcare professional, elected by the Board of Directors of the Corporation,

from a list of nominees developed by its Nominating Committee.

(k) Six (6) directors elected by the Board of Directors from a list of nominees developed by its Nominating Committee, who are residents in the Hospital's service area (including all counties from which patients are admitted to the Hospital and all counties wherein the Corporation provides services) not involved in healthcare and who have experience in business, health care management, legal or financial affairs or other qualifications deemed important by the Board of Directors.

Each individual described in (a) through (e) shall hold office for a three (3) year term and shall serve additional terms for so long as such individual holds the position or office designated in (a) through (e); provided, however, that such individuals shall serve only for so long as the individual holds such position, office or designation. Each director described in (f) through (k) shall hold office for a three (3) year term and may be reappointed or reelected for two (2) additional three (3) year terms. The Board of Directors shall divide the directors described in (f) through (k) into three (3) groups of four (4) members each, and determine which of such directors shall serve one, two or three year terms initially. The term of members of the Board of Directors shall begin upon appointment or election.

Each director shall hold office until his successor shall have been duly elected and qualified. This paragraph 8 of the Charter shall not be amended without the prior written consent of The University of Tennessee.

10. The Corporation shall be permitted to indemnify and hold harmless the directors and officers of the Corporation to the fullest extent permitted by Tennessee law as specified in the Bylaws of the Corporation. If the Tennessee Nonprofit Corporation Act is amended or other Tennessee law is enacted to permit further elimination or limitation of the personal liability of directors, then the liability of directors of the Corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Nonprofit Corporation Act as so amended or by such other Tennessee law as so enacted.

11. To the extent required by Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"): (i) no part of the net earnings of the Corporation may inure to the benefit of any individual except as reasonable compensation for services actually rendered by such individual or as payments and distributions in furtherance of the purposes set forth herein; (ii) no substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting, to influence legislation (except as permitted by Section 501(h) of the Code); and (iii) the Corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office. Notwithstanding any other provision of this Charter, the Corporation shall not carry on any endeavors or activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

12. In the event of permanent dissolution or liquidation, the Board of Directors shall cause the assets of this Corporation to be applied and distributed as follows: (i) all liabilities and obligations of the Corporation shall be paid, satisfied and discharged or adequate provisions shall be made therefor; (ii) all assets held by the Corporation upon a condition which occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements; and (iii) all of the remaining assets of the Corporation shall be transferred or conveyed to The University of Tennessee or to the State of Tennessee. This paragraph 11 of the Charter shall not be amended without the prior written consent of The University of Tennessee.

DATED this 17th day of December, 1998.

M. Kevin Outterson, Incorporator

This Instrument Prepared By:
Baker, Donelson, Bearman & Caldwell
1700 Nashville City Center
511 Union Street
Nashville, Tennessee 37219

LEASE AND TRANSFER AGREEMENT

THIS LEASE AND TRANSFER AGREEMENT is made as of the 8th day of July, 1999 (the "Signing Date"), between **THE STATE OF TENNESSEE**, by and through its **COMMISSIONER OF FINANCE AND ADMINISTRATION** (the "Commissioner") and by and through its instrumentality, **THE UNIVERSITY OF TENNESSEE** (referred to herein as "The University of Tennessee," "UT" or "Lessor") (for and on behalf of **THE UNIVERSITY OF TENNESSEE MEMORIAL RESEARCH CENTER AND HOSPITAL**, the "Hospital," hereinafter defined at Section 1.31 hereof), and **UNIVERSITY HEALTH SYSTEM, INC.**, a Tennessee non-profit corporation (herein referred to as "UHS" or "Lessee").

WITNESSETH:

WHEREAS, UT desires to promote the continued excellence of the Hospital's mission of patient care, education, and research for all citizens served by the Hospital; and,

WHEREAS, the General Assembly of the State of Tennessee has determined that it is in the best interests of UT, the State, and the citizens served by the Hospital to restructure the governance, management, and operation of the Hospital; and,

WHEREAS, the General Assembly of the State of Tennessee passed Enabling Legislation, codified at Tenn. Code Ann. § 49-9-112 and § 49-9-1301 et seq., to accommodate these goals through the transfer of the Hospital to Lessee; and,

WHEREAS, the State, UT and UHS are entering into this Agreement to transfer the Hospital to UHS;

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES MADE HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATIONS, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, IT IS HEREBY AGREED AS FOLLOWS:

ARTICLE I

DEFINITIONS

The following words, terms or phrases, when used in this Agreement, shall have the following meanings:

1.1 "**Affiliated Agreements**" shall mean this Agreement, the Affiliation Agreement, the Employee Services Agreement, and any other agreements, of even date herewith, or which, by their terms, are described therein by the parties as an "Affiliated Agreement" and are signed by all of the parties who execute this Agreement.

1.2 "**Affiliates**" shall include Persons which control, are controlled by, or are under common control of another Person. Control for this purpose means the right to appoint 50% or more of the board of directors (or the equivalent) or rights to 50% or more of the equity of a Person other than an individual.

1.3 "**Affiliation Agreement**" shall mean the Affiliation Agreement executed by and between Lessor and Lessee as of the date hereof providing for the continued support of The University of Tennessee, Memphis Graduate School of Medicine program in Knoxville, a form of which is attached hereto without schedules as Schedule 1.3 and incorporated herein by this reference.

1.4 "**Agreement**" shall mean this Lease and Transfer Agreement.

1.5 "**Assigned Leases and Contracts**" shall mean those contracts, agreements and leases directly related to Existing Facility Operations at Closing and executed by UT solely on behalf of the Hospital.

1.6 "**Assumed Liabilities**" means (a) liabilities of Lessor under the Assigned Leases and Contracts; (b) liabilities arising under executory purchase orders made, and contracts, agreements and leases entered into, by Lessor in the ordinary course of Existing Facility Operations that are outstanding as of the Closing; (c) all accounts payable, obligations and liabilities incurred by Lessor prior to Closing in the ordinary course of Existing Facility Operations; and (d) Prior Legal Liabilities; provided, however, that Assumed Liabilities shall not include any claim for Damages arising out of, attributable to, or in connection with, an occurrence before Closing to the extent Lessee has full or partial immunity from suit on the claim under state or federal law, including without limitation a claim for which jurisdiction properly lies under the Tennessee Claims Commission Act.

1.7 "**Authority**" means the Tennessee State School Bond Authority.

1.8 "**Bill of Sale and Assignment**" shall have the meaning described in Section 13.2(c) of this Agreement.

1.9 "**Board of Trustees**" means the Board of Trustees of The University of Tennessee and its successors.

1.10 "**Bond Indenture**" means the Indenture of Trust dated as of July 1, 1999 between The Health, Educational and Housing Facilities Board of the County of Knox and First Tennessee Bank National Association, and any amendments, additions, substitutions, or replacements thereof.

1.11 "**Bonds**" means the University Health System, Inc. Revenue Bonds, Series 1999, dated July 9, 1999 originally issued in the aggregate principal amount of $ 196,485,000.00, in order to finance the lease of the Facilities and the acquisition of the Operating Assets by Lessee.

1.12 "**Breach**"--- a Breach of a representation, warranty, covenant, obligation, or other provision of this Agreement, or any instrument delivered pursuant to this Agreement, will be deemed to have occurred if there is or has been (a) any inaccuracy in, or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, or (b) any claim (by any Person) or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant, obligation, or other provision, and the term Breach means any such inaccuracy, breach, failure, claim, occurrence, or circumstance.

1.13 "**Closing**" shall mean July 29, 1999, or the date on which the transactions contemplated in this Agreement are consummated.

1.14 "**Code**" means the Internal Revenue Code of 1986, as amended, and all applicable existing, proposed, and temporary regulations that may from time to time be issued thereunder.

1.15 "**Commissioner**" shall have the meaning described in the recitals.

1.16 "**Consideration**" shall mean the amounts described on Schedule 1.16 of this Agreement; but in any event the amount of Consideration must be approved by the Authority as sufficient to economically defease the Existing Debt. Prior to Closing, this Schedule 1.16 cannot be amended without the approval of the Authority.

1.17 "**CPI**" shall mean the Consumer Price Index for All Urban Consumers, U.S. City Average for all items, as published by the United States Department of Labor, using the year 2000 as the base factor and the current index for the year in question.

1.18 "**Damages**" shall mean the amount of any loss, liability, claim, settlement, award, judgment, release, damage, expense or diminution in value, whether or not involving a third-party claim.

1.19 "**Employee Services Agreement**" shall mean the Employee Services Agreement executed by and between Lessor and Lessee as of the date hereof, a form of which is attached hereto without schedules as Schedule 1.19 and incorporated herein by this reference.

1.20 "**Enabling Legislation**" means Tenn. Code Ann. §49-9-112 and §49-9-1301 et seq., as effective on the date of Closing.

1.21 "**Equipment**" means: (a) all equipment, durable medical equipment, machinery, motor vehicles, ambulances and air ambulances, and furniture owned or leased by Lessor and used in connection with Existing Facility Operations; and (b) all other tangible personal property which is owned or leased by Lessor placed, affixed or installed in, on, to or upon the Real Property which is not included in the definition of Real Property.

1.22 "**Excluded Assets**" shall mean those assets which are set forth in Schedule 1.22 attached hereto and incorporated herein, as adjusted at the Closing by mutual consent.

1.23 "**Excluded Leases and Contracts**" means those agreements of Lessor listed in Schedule 1.23 attached hereto and incorporated herein, as adjusted at the Closing by mutual consent.

1.24 "**Excluded Liabilities**" shall have the meaning described in the Employee Services Agreement.

1.25 "**Existing Debt**" shall mean the existing debt issued by the Authority on behalf of the Hospital, as described in Schedule 1.25.

1.26 "**Existing Facility Operations**" means all of the Hospital, health care, research, patient care, administrative and related activities conducted on the Real Property and at the Henley Street Facility as of the date of Closing hereof by Lessor in the ordinary course of owning and operating the Hospital. Upon the transfer of the Existing Facility Operations to Lessee pursuant to Section 2.2 hereof, the term "Existing Facility Operations" shall mean all of the Hospital, health care, research, patient care, administrative and related activities conducted by Lessee on the Real Property and at the Henley Street Facility during the Term of this Agreement. In all cases, Existing Facility Operations excludes the operation of the Graduate School of Medicine.

1.27 "**Facilities**" means the Hospital, the Real Property, the Henley Street Facility, and all Improvements which are leased by Lessor to Lessee hereunder.

1.28 "**Financial Statements**" shall have the meaning described in Section 3.14 of this Agreement.

1.29 "**Fiscal Year**" means the calendar fiscal year of Lessee which shall begin on January 1 of each year and end on December 31 of such year.

1.30 "Full Replacement Cost" has the meaning described in Section 9.2 of this Agreement.

1.31 "Graduate School of Medicine" shall have the meaning described in the Affiliation Agreement.

1.32 "Henley Street Facility" means the space occupied by the Hospital as of the Signing Date at the UT building located on Henley Street in Knoxville, Tennessee, which is also known as The University of Tennessee Conference Center, as described in Schedule 1.32 attached.

1.33 "Hospital" means the facility and institution presently known as The University of Tennessee Memorial Research Center and Hospital located in Knoxville, Tennessee.

1.34 "Hospital Net Operating Revenue" shall mean the gross revenue of the Hospital from Existing Facility Operations less contractual adjustments, bad debts and charity care, determined on a US-GAAP basis as certified by the Independent Accountants.

1.35 "Improvements" means any and all: (a) buildings, structures, and improvements which have been constructed, placed or installed in or upon the Real Property as of the Signing Date; (b) buildings, structures, and improvements which shall have been made in or upon the Real Property as a substitution for, or in renewal or replacement of, any buildings, structures, and improvements constituting part of the Hospital from the Signing Date until the Closing; or (c) any other additions, alterations and improvements placed or installed in or upon the Real Property prior to the Closing. In any event, Improvements shall not include any Lessee Improvements or Operating Assets.

1.36 "Independent Accountant(s)" means a firm of nationally recognized, independent certified public accountants selected by Lessee, which may also be the current auditor of Lessee.

1.37 "Indicia" shall mean all trademarks, service marks, trade names, trade dress, logos, Internet domain names, and all names the Facilities (excluding the Henley Street Facility) and Existing Facility Operations are known by, together with all adaptations, derivatives and combinations thereof, including all goodwill associated therewith, and any and all applications, registrations, and renewals in connection therewith (but excluding any marks that have become the exclusive property of UHS before the date of the Closing).

1.38 "Intellectual Property" means: (a) the Indicia; (b) all copyrights, and all applications and registrations in connection therewith; (c) all trade secrets and confidential business information, ideas, research and development, know-how, formulas, compositions, processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals; (d) all computer software (including data and related documentation), including all copyrights and other proprietary rights therein; (e) all other proprietary rights; and (f) all copies and tangible embodiments thereof (in

whatever form or medium). Intellectual Property shall only include intellectual property owned by Lessor and used in connection with the Facilities and Existing Facility Operations.

1.39 "**Inventory**" shall mean all supplies and inventory located in the Hospital and used or usable in the Existing Facility Operations, including, without limitation, disposables, consumables, office supplies, drugs and medical supplies, linens, food and cleaning materials.

1.40 "**Involuntary Loss**" has the meaning described in Section 9.5(a) of this Agreement.

1.41 "**JCAHO**" means the Joint Commission on Accreditation of Healthcare Organizations.

1.42 "**Leasehold Mortgage**" shall have the meaning described in Section 11.3(a) of this Agreement.

1.43 "**Leasehold Mortgagee**" shall mean the holder or holders from time to time of a promissory note or notes evidencing a loan and secured by a deed of trust upon the leasehold estate created hereby.

1.44 "**Legal Requirements**" means all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facilities or the construction, use or alteration thereof, whether now or hereafter enacted and in force, including any which may: (a) require repairs, modifications, or alterations in or to the Facilities; or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Facilities.

1.45 "**Lessee**" shall have the meaning described in the recitals to this Agreement.

1.46 "**Lessee Improvements**" shall have the meaning described in Section 8.1 of this Agreement.

1.47 "**Lessee Net Operating Profit**" shall mean the net operating profit of UHS determined in accordance with US GAAP, and shall include, without limitation, income from subsidiaries of UHS, from non-Hospital operations of UHS and from investment reserves.

1.48 "**Lessor**" shall mean The University of Tennessee.

1.49 "**Material**" and "**Materiality**" shall mean a condition, noncompliance, defect or other fact which would: (a) cost, in the aggregate, in excess of $100,000.00 and, with respect to any single

defect or fact, would cost in excess of $50,000.00 to correct or repair; or (b) in the aggregate, result in a loss to Lessee or a reduction in the value of the Facilities or Operating Assets in excess of $100,000.00 and, with respect to any single defect or fact, would result in a loss to Lessee or a reduction in the value of the Operating Assets in excess of $50,000.00. For purposes of Section 3.13 of this Agreement only, Materiality shall mean a monetary value in excess of $10,000.

1.50 "**Net Worth Requirement**" shall have the meaning described in Section 9.4(b).

1.51 "**Operating Assets**" means those assets which are owned by Lessor in connection with Existing Facility Operations excluding: (i) the Facilities; and (ii) the Excluded Assets, but including, without limitation:

(a) all Assigned Leases and Contracts;

(b) the Working Capital Assets;

(c) the Equipment;

(d) the Reserve Funds;

(e) the Inventory;

(f) the Intellectual Property, except the Indicia which are licensed to Lessee under Section 2.5 of this Agreement;

(g) all books, records and other information collected and maintained in connection with the Facilities, except the Henley Street Facility, including, without limitation, patient records and copies of UT Hospital Employee records;

(h) all judgments, causes of action and intangibles owned by Lessor and related to the Facilities, except the Henley Street Facility, and Existing Facility Operation;

(i) all permits, licenses, filings, accreditations, certificates of need, authorizations, approvals or indicia of authority (and any pending applications therefor) held by Lessor with respect to the ownership or operation of the Facilities, to own, construct, operate or maintain the Hospital or any fixture, facility, equipment, vehicle, machinery or installation of the Facilities, except the Henley Street Facility, or to operate the businesses conducted in connection therewith, to the extent that each of the foregoing is transferable;

(j) all retainage funds held by Lessor in connection with any ongoing construction projects; and

(k) all assets of Lessor not listed above utilized in Existing Facility Operations that are not otherwise classified as Facilities or Working Capital Assets or that are not Excluded Assets.

Upon the transfer of the Operating Assets to Lessee pursuant to Section 2.2 hereof, the term "Operating Assets" shall mean all Operating Assets received by Lessee plus all accumulations and additions thereto, and less all deletions and deductions therefrom, as may have occurred in the ordinary course of business of Lessee, or as otherwise may have been permitted by the terms of this Agreement.

1.52 "**Permitted Encumbrances**" shall include the Bond Indenture, this Agreement and, as of any particular time with respect to the Facilities (except the Henley Street Facility):

(a) liens for taxes and special assessments, if any, which are not then delinquent, or if then delinquent, are being contested in accordance with the provisions of this Agreement;

(b) utility, access and other easements and rights-of-way, restrictions and exceptions which will not Materially interfere with or Materially impair the operation of the Facilities (excluding the Henley Street Facility) (or, if they are not being then operated, the operation for which they were designed or last modified);

(c) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof, if any, if payment is not yet due under the contract in question, or if such lien is being contested in accordance with the provisions of this Agreement;

(d) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Real Property, and which do not Materially and adversely affect the value of the Facilities (excluding the Henley Street Facility), or Materially and adversely affect the value of the Facilities (excluding the Henley Street Facility), or Materially impair the property affected thereby for the purpose for which it was acquired, or is held by Lessee;

(e) leases which relate to portions of the Facilities (excluding the Henley Street Facility) which are customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops, radiology, pharmacy and similar departments, to the extent that such leases will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Bonds;

(f) zoning laws and similar restrictions which are not violated by Lessee or which do not Materially and adversely affect the value of the Facilities;

(g) all right, title and interest of the State, municipalities and the public in and to access over, under or upon a public way;

(h) liens on and security interests in Property given, bequeathed or devised to Lessee existing at the time of such gift, bequest or devise, provided that (i) such liens or security interests attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the indebtedness incurred by such liens or security interests is not assumed by Lessee or, if assumed, is assumed on a nonrecourse basis;

(i) restrictions or other encumbrances which are either insured over by a reputable, solvent title insurance company which has been writing title insurance in Knox County, Tennessee for at least five (5) years, or which relate to properties which are not contiguous to the Real Property and the loss of which would have no Material adverse impact on the operations of the Hospital;

(j) liens granted in connection with the Bonds or improvements, expansion, extension, additions or modifications of the Facilities (excluding the Henley Street Facility), or improvements of any real property adjacent thereto, or liens granted or leases executed in connection with any replacement Equipment;

(k) any liens, charges, encumbrances and restrictions in favor of Lessor which may be created by reason of this Agreement;

(l) any pledge of Lessee's revenues in connection with Lessee's financing of Improvements to the Facilities (excluding the Henley Street Facility); and

(m) any lien or encumbrance approved by three-fourths of Lessee's Board of Directors.

1.53 "**Person**" shall mean any natural person, corporation (including any non-profit corporation), limited liability company, partnership (general or limited), joint venture, estate, trust, association, charitable organization, labor union, the United States of America, the State, City of Knoxville, Knox County, Tennessee, governmental or quasi-governmental entity of the United States of America, the State, the City of Knoxville, Knox County, Tennessee or any subdivisions thereof, or other business entity or organization.

1.54 "**Prior Legal Liabilities**" shall mean any and all legal liabilities arising or accruing from any act or omission on or before the Closing and in any way arising out of, attributable to or in connection with the Existing Facility Operations. Without limiting the generality and scope of the preceding sentence, Prior Legal Liabilities shall include, without limitation, the following liabilities: professional liability, malpractice liability, tort liability, workers' compensation liability, premises liability, environmental liability, employment discrimination liability, civil rights liability and liability for breach of any constitutional, statutory, common law or contractual duty by Lessor, its agents, trustees, officers and employees on or before the Closing in relation to the Existing Facility Operations, including but not limited to liabilities under the Tennessee Claims Commission Act. "Prior Legal Liabilities" shall not include any Excluded Liabilities or any liabilities relating exclusively to the Graduate School of Medicine or the non-Hospital operations of Lessor.

1.55 "**Property**" means any and all rights, title and interest in and to any and all property whether real or personal, tangible or intangible, of any kind or character, and wherever situated.

1.56 "**Real Property**" means the real property described as Tracts 1 and 2 in Schedule 1.56(a) attached hereto and incorporated herein (as adjusted at the Closing by mutual consent), and all buildings, mechanical systems, driveways, or parking areas located thereon and all rights, easements and appurtenances thereto. A survey of the Real Property, and including Tracts 3, 4, 5, 6, and 7 not leased hereby, is attached hereto as Schedule 1.56(b).

1.57 "**Reserve Funds**" shall mean an amount of money equal to the funded depreciation and other funds (including any interest earned on such funds but not yet credited thereto) designated for capital improvements shown on the Statement of Financial Position of the Hospital as of the Closing.

1.58 "**Service Area**" shall have the meaning described in the Employee Services Agreement.

1.59 "**Signing Date**" shall have the meaning described in the recitals to this Agreement.

1.60 "**State**" means the State of Tennessee.

1.61 "**State Architect**" shall mean the official serving as chief staff officer and operating manager of the State Building Commission.

1.62 "**State Building Commission**" shall mean an agency of the State of Tennessee with the powers and duties described in Tenn. Code Ann. § 4-15-101 et seq.

1.63 "**Tennessee Claims Commission Act**" shall mean Tenn. Code Ann. § 9-8-101, et seq., as amended from time to time or any subsequent enactment governing claims against UT.

1.64 "**Term of this Agreement**", "**Term**", or "**the Term hereof**" means the period commencing on the Closing and expiring fifty (50) years after Closing, July 29, 2049. The parties agree to meet in July 2044 to discuss the terms and conditions of an extension of this Agreement. The Term shall be automatically extended to include an additional fifty (50) years, unless either Lessor or Lessee gives the other written notice of its intention not to extend the Term. Such notice must be delivered between July 1, 2044 and August 1, 2045.

1.65 "**Trustee**" means the Trustee serving from time to time under the Bond Indenture.

1.66 "**UHS**" shall mean University Health System, Inc. and its successors.

1.67 "UHS Employees" shall have the meaning described in the Employee Services Agreement.

1.68 "US GAAP" shall mean generally accepted accounting principles, as generally applied in the United States.

1.69 "UT" shall mean The University of Tennessee, and its successors.

1.70 "UT Benefit Plans" shall have the meaning described in the Employee Services Agreement.

1.71 "UT Hospital Employees" shall have the meaning described in the Employee Services Agreement.

1.72 "UT Retirement Plans" shall have the meaning described in the Employee Services Agreement.

1.73 "Working Capital Assets" means cash and cash equivalents (net of petty cash advances), accounts receivable, other receivables, together with inventories, managed care withholds or bonus payments, Authority withholds, prepaid expenses, tax and FICA refunds, withholds, notes receivable and other investments or amounts relating to Existing Facility Operations, and receivables from related parties which are expected to be liquidated in the form of cash and cash equivalents, but excluding all assets financed through long term debt or other long term liabilities. Working Capital Assets also includes any amounts described in this Section 1.73 which are subsequently paid to Lessor but which relate to Existing Facility Operations.

ARTICLE II

LEASE OF FACILITIES; TRANSFER OF OPERATING ASSETS AND EQUIPMENT; ASSUMPTION OF LIABILITIES; CONSIDERATION

2.1 Lease of Facilities; Quiet Enjoyment; Sublease of Tract 2; Right of First Refusal; Easements.

(a) Lessor, for and in consideration of the payment by Lessee of the Consideration, and the performance by Lessee of the covenants and agreements set forth herein, leases and rents the Facilities to Lessee effective as of the Closing, and Lessee takes, accepts and rents the Facilities from Lessor effective as of the Closing, subject to the terms, covenants, conditions and provisions hereinafter stated and the following limitations, restrictions, reservations and encumbrances, to have and to hold for the Term hereof; except that, only with regard to the Henley Street Facility, the rights and responsibilities of Lessor and Lessee shall be as set out in Schedule 2.1(a). Lessee acknowledges that it accepts the Facilities "as is," with no warranty or representation by Lessor as to the condition

of the Facilities and with no obligation of Lessor to repair any known or unknown structural, engineering, design, mechanical, or other defect in the Facilities.

(b) Effective as of the Closing, Lessor agrees that Lessee shall have, hold, and enjoy, during the Term hereof, peaceful, quiet, and undisputed possession of the Facilities, without hindrance or molestation by anyone, and Lessor shall, from time to time, take all necessary or appropriate action to that end.

(c) At Closing, Lessor and Lessee shall enter into a sublease agreement whereby Lessee shall sublease to Lessor, and Lessor shall sublease from Lessee, the real property and improvements described and depicted as Tract 2 in Schedules 1.56(a) and 1.56(b). The terms of such sublease shall be as set forth in the form attached as Schedule 2.1(c).

(d) Lessor and Lessee acknowledge that Tracts 3, 4, 5, 6, and 7 as depicted on the survey attached as Schedule 1.56(b) shall not be included as part of the Real Property leased hereby. As a Material inducement to Lessee's entering into this Agreement, Lessor hereby grants to Lessee a right of first refusal to lease Tract 4 upon the expiration or termination of the existing lease of Tract 4 between Lessor and the Helen Ross McNabb Center. Lessor shall give Lessee written notice of the expiration of such lease within two hundred ten (210) and one hundred eighty (180) days prior to such expiration, and Lessee shall have ninety (90) days after receipt of such notice to notify Lessor whether it intends to lease Tract 4. Upon Lessee's exercise of such right, Tract 4 shall become a part of the Real Property for the remainder of the Term (and any extension thereof) without payment of rent or further consideration to Lessor. Lessor hereby grants to Lessee ingress and egress rights through Tracts 3, 4, 5, 6 and 7 of the Real Property. Lessee hereby grants to Lessor ingress and egress rights through Tracts 1 and 2 for access to Tracts 3, 4, 5, 6 and 7 and to the UT property which adjoins the Real Property on the north.

(e) Lessor hereby grants Lessee an easement over Lessor's property which adjoins the Real Property on the north for the purposes of: (1) the use by Lessee of the existing access road adjacent to the northern boundary of Tract 1 as shown on Schedule 1.56(a) for vehicular, pedestrian and air ambulance ingress and egress, and (2) the use of such airspace as may be reasonably necessary for the operation of Lessee's Lifestar helicopter air ambulance service.

2.2 Transfer of Operating Assets. Lessor, for and in consideration of the payment by Lessee of the portion of the Consideration paid at Closing and effective as of the Closing, assigns, transfers, sells and conveys to Lessee all of Lessor's right, title and interest in and to the Operating Assets. Lessee, during the Term hereof, shall use the Operating Assets so transferred to it in the operation of the Facilities and in furtherance of Lessee's purposes as set forth in its charter, and as otherwise permitted by this Agreement.

2.3 Assumption of Liabilities. Effective as of the Closing, Lessee assumes, and agrees to perform and discharge, all of the Assumed Liabilities as of the Closing; provided that: (a) Lessee shall only assume obligations thereunder to the extent such obligations are enforceable against

Lessor, and, to the extent permitted by law, Lessee shall be entitled to any and all defenses thereunder as were available to Lessor; and (b) Lessor and Lessee each agree to use their respective best efforts to renegotiate or terminate any Assigned Contract such parties mutually agree is not in the best interest of Lessee.

2.4 Consideration. In consideration of the lease of the Facilities and the sale and transfer of the Operating Assets to Lessee hereunder, Lessee agrees to pay to, or at the direction of, Lessor the Consideration. The Board of Trustees shall have sole authority and discretion to determine the distribution of the Consideration within UT. The Consideration shall be in addition to Lessee's obligations to pay or discharge the Assumed Liabilities as specified in Section 2.3 hereof, as adjusted at the Closing by mutual consent. The Consideration shall be allocated to the lease of the Facilities and the sale and transfer of Operating Assets as shall be agreed to by Lessor and Lessee at Closing. In addition, Lessee and Lessor shall enter into the Affiliation Agreement and the Employee Services Agreement. In the year 2019, Lessor and Lessee shall meet to negotiate an annual lease payment for the last thirty (30) years of the Term of this Lease and Transfer Agreement. The amount of any proposed annual lease payment will be based upon the financial position of Lessee at such time and will be subject to prior confirmation from the bond rating agencies which at that time have an active rating on outstanding debt obligations issued by Lessee that the proposed annual lease payment would not result in the withdrawal, suspension or lowering of Lessee's then current bond rating. If Lessee has outstanding insured debt obligations at such time, then the advance written approval by the company or companies which have insured Lessee's debt obligations shall also be required. In any case, any amendment to this Lease and Transfer Agreement pursuant to this Section 2.4 must comply with the terms and conditions of the Enabling Legislation and shall be subject to the prior approval of Lessor's Board of Trustees and Lessee's board of directors.

2.5 License of Indicia. During the Term, Lessee shall have a nonexclusive license to use the Indicia, as they now exist, or as they may be modified during the Term hereof, both internally and/or externally for business, marketing, and promotional activities without payment of a licensing fee, subject to the following provisions: (a) Lessee's use of the Indicia shall satisfy a reasonable standard of quality acceptable to Lessor, and Lessor shall have the right to inspect Lessee's use of the Indicia for the purpose of reasonable quality control; (b) Lessee shall include the trademark (TM) or registered ® symbols in connection with the Indicia as reasonably directed by UT; (c) Lessor shall have the right to approve any and all uses of the Indicia on materials or products for commercial use, and Lessee cannot sublicense the Indicia without the approval of the UT Office of Licensing; (d) Lessee shall not alter any Indicia without the permission of the UT Office of Licensing; (e) Lessor is and shall remain the sole owner of all rights in and to its Indicia as they now exist or may hereafter be modified; (f) Lessee is and shall remain the sole owner of any marks that have become the property of UHS before the date of Closing; (g) Lessee shall be the sole owner of other names, trademarks, service marks, nicknames, and logos which it develops separately whether used alone or in connection with UT Indicia; (h) Lessor shall not grant any license or rights similar to those granted in this Agreement to any other healthcare facility within the Service Area; and (i)

Lessor and Lessee acknowledge each other's rights described in this Section 2.5 and agree not to attack each other's title or ownership to the same. All proposed uses under Section 2.5(c) above shall be submitted to the UT Office of Licensing, and Lessor or any sublicensee shall enter into Lessor's standard licensing agreement with the payment of royalties to Lessor. If the UT Office of Licensing fails to respond to any submission within thirty (30) days of actual receipt, the proposed use for commercial sale shall be deemed approved by Lessor subject to execution of Lessor's standard licensing agreement with the payment of royalties to UT.

ARTICLE III

REPRESENTATIONS AND WARRANTIES BY LESSOR

Lessor makes the following representations and warranties to Lessee as of Signing Date and Closing.

3.1 Organization. Lessor, a land grant institution of higher education, is an instrumentality of the State of Tennessee and is duly organized, validly existing, and in good standing under the laws of the State of Tennessee.

3.2 Power and Authority. Lessor has full power and authority pursuant to the Enabling Legislation to enter into this Agreement, to carry out the transactions contemplated hereunder, and to carry out its obligations hereunder.

3.3 Authorization. Lessor has duly authorized the execution, delivery and performance of this Agreement.

3.4 No Violation. Except as previously disclosed to Lessee in writing, or in any opinions required hereunder, neither Lessor nor the Facilities are subject to any claim or restriction, or are subject to any provision contained in Lessor's statutory provisions, creating, authorizing, or establishing Lessor's existence, Board of Trustees rules, charter, ordinances or bylaws or in any evidence of indebtedness, indenture, commitment, agreement or contract to which Lessor is a party or by which it is bound, or subject to any existing judgment, order or decree binding upon Lessor, which prevents Lessor from entering into this Agreement or performing any of its obligations hereunder.

3.5 Enforceability. This Agreement, and the Affiliated Agreements executed by Lessor of even date herewith, constitute the valid obligations of Lessor in accordance with their respective terms. With respect to these agreements, the State has not waived the Lessor's immunity from suit or extended its consent to be sued. However, current State law provides that monetary claims against the Lessor for breach of its contractual obligations may be heard and determined exclusively in the forum of the Tennessee Claims Commission, an administrative tribunal, where the State may be liable only for actual damages and certain costs.

3.6 Title to Facilities and Operating Assets. Lessor has good and marketable fee simple title to the Real Property and title to the Facilities and Operating Assets, free and clear of any and all encumbrances except for the Permitted Encumbrances.

3.7 Parties in Possession. There are no parties in possession of the Real Property, except for patients at the Hospital and the lessees under the Assigned Leases and Contracts.

3.8 Condemnation. There are no pending or threatened condemnation or similar proceedings against the Real Property or any portion thereof.

3.9 No Litigation. Except as previously disclosed to Lessee in writing, there are no Material claims, actions, suits, arbitrations, license revocations, governmental investigations, inquiries or proceedings pending or, to the best actual knowledge of Lessor, threatened against Lessor, at law or in equity, or before any governmental or administrative board, agency or authority relating to the Existing Facility Operations, Real Property, the Facilities, or Operating Assets, or arising out of the operation or management of the Hospital.

3.10 Finder's or Broker's Fees. Lessor has not engaged any finder or broker in connection with this Agreement or the transaction contemplated hereby, and Lessee is not and will not be obligated for any finder's or broker's fee or commission in connection with this Agreement, or the transactions contemplated hereby, as a result of the actions by Lessor.

3.11 Consents and Approvals. Except as previously disclosed to Lessee in writing, and except for those consents and approvals required by the Enabling Legislation, the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated by this Agreement, by Lessor will not require any consent, approval, authorization, order, declaration, filing or registration of or with any federal, state or local governmental or regulatory authority (the "Governmental Authorities") or other Person or Persons, and no other action on the part of Lessor or any other Person is necessary to authorize the execution, delivery, and consummation of this Agreement.

3.12 Facilities and Operating Assets. The Facilities and the Operating Assets constitute all the assets currently being utilized by Lessor in connection with Existing Facility Operations.

3.13 Assigned Leases and Contracts.

(a) To the best of Lessor's actual knowledge, the Assigned Leases and Contracts constitute all Material contracts, agreements, purchase orders, leases, subleases, options and commitments, oral or written, and all assignments, amendments, schedules, exhibits and appendices thereof, affecting or relating to the Facilities or any Operating Asset or any interest therein, to which Lessor is a party, or by which Lessor, the Operating Assets or the Facilities is bound or affected, including, without limitation, service contracts, management agreements, equipment leases, office leases and ground or building leases pertaining to any part of the Real Property or Improvements

(other than the Excluded Leases and Contracts). Materiality for the purposes of this Section 3.13 shall mean a monetary value in excess of $10,000.

(b) Except as previously disclosed to Lessee in writing, none of the Assigned Leases and Contracts have been terminated, extended, modified, amended, assigned, transferred or subordinated, and each is in full force and effect and is valid, binding and enforceable in accordance with its respective terms.

(c) To the best of Lessor's actual knowledge, and except as previously disclosed to Lessee in writing: (1) no event or condition has happened or presently exists that constitutes a default or breach or, after notice or lapse of time or both, would constitute a default or breach by any party under any of the Assigned Leases and Contracts; and (2) there are no counterclaims or offsets under any of the Assigned Leases and Contracts.

(d) To the best of Lessor's actual knowledge, there does not exist any security interest, lien, encumbrance or claim of others created or suffered to exist on any of the Assigned Leases and Contracts, except as a Permitted Encumbrance.

(e) Except as previously disclosed to Lessee in writing, none of the Assigned Leases and Contracts shall be amended between the Signing Date and the Closing without the prior written consent of Lessee.

3.14 Financial Statements. The financial statements for Lessor as of June 30, 1998 (i.e., balance sheet, statement of changes in fund balances, statement of current revenues, expenditures and other changes, and accompanying footnotes) will have been provided to Lessee prior to Closing and will include the financial assets and operations for the Hospital. These financial statements are accompanied by the auditor's opinion letter which states that the financial statements present fairly, in all Material respects, the financial position of Lessor as of June 30, 1998. The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and AICPA College Audit Guide.

3.15 Absence of Certain Changes. Since June 30, 1998, Lessor, as relates to the Hospital, has: (a) not suffered any Material adverse change in the condition, financial or otherwise, business, assets, liabilities or operations which for purposes of this section shall mean in excess of a 15% reduction in net worth or net working capital; (b) not acquired or disposed of any assets except in the ordinary course of business consistent with past practices; (c) not suffered any damage, destruction or loss to any of its properties and assets, whether or not covered by insurance, in excess of $500,000; (d) not written down the value of any assets of Lessor, or written off as uncollectible any accounts receivable of Lessor, except for write-downs and write-offs in the ordinary course of business consistent with past practices; (e) not removed any fixtures, property or Equipment owned or leased by it or any related local medical facility except in the ordinary course of business consistent with past practice; or (f) not agreed, whether in writing or otherwise, to take any action described in this Section 3.15.

3.16 Taxes. With regard to all periods of time through the Closing, Lessor has paid in full all federal and state withholding taxes, unemployment taxes, social security taxes, franchise taxes, payroll taxes, and all other applicable federal, state or local taxes, including, but not limited to, any sales, gross receipts or excise taxes which have or may have an impact on the Facilities or the transaction contemplated by this Agreement, and all penalties and interest with respect thereto, relating to the operations of the Facilities, which were assessed, confirmed, accruable or which relate to the period of time prior to the Closing, or has made satisfactory provision therefor and shall pay such taxes when due if such occurs after the Closing. Any refunds (including interest paid by the taxing authority) on such taxes relating to Existing Facility Operations shall be paid to the Lessee upon receipt. Upon request, Lessee shall receive regular reports from Lessor as to the status of any such pending tax refunds and shall have the right, at its own expense, to participate in any administrative or legal process to recover such taxes from the taxing authority.

3.17 Insurance. Lessor has insurance or self-insurance coverage in effect (including statutory rights to exclusive jurisdiction in the Tennessee Claims Commission) for the Facilities, Existing Facility Operations and all Real Property, operations, personnel, residents, faculty, staff, and assets of an insurable nature and of a character usually insured. Schedule 3.17 attached hereto and incorporated herein (as adjusted at the Closing by mutual consent) contains a true, complete, correct and accurate list and summary description of all such coverage (specifying the insurer, the amount of coverage, any deductibles, the type of insurance, the amount of premiums and dates when they are due, the policy number and any pending claims thereunder, and the expiration date) maintained as aforesaid relating to Lessor. Lessor is not in default or breach with respect to any provision contained in any such coverage, nor has it failed to give any notice or to present any claim thereunder in due and timely fashion. Lessor shall remain responsible for professional liability coverage (including self-insurance) for medical residents and faculty in the Graduate School of Medicine.

3.18 Motor Vehicles. Lessor shall execute in favor of Lessee title certificates for all motor vehicles, ambulances and air ambulances owned by Lessor utilized in Existing Facility Operations.

3.19 Year 2000 Problem. With regard to the possibility that computer programs and systems may not properly process dates subsequent to December 31, 1999 (the "Y2K Problem"), Lessor represents and warrants that its computer systems (including, but not limited to, systems which process wages, salaries and benefits, but excluding computer systems which become property of Lessee under this Agreement or an Affiliated Agreement) are free from the Y2K Problem insofar as it may affect the Hospital, Hospital Employees (as defined in the Employee Services Agreement), other employees of the Hospital, Hospital vendors, and Hospital patients.

3.20 Ongoing Construction. Except as disclosed on Schedule 3.20 attached hereto and incorporated herein, there are presently no ongoing construction or improvement projects on the Real Property having a value exceeding $1,000,000.

3.21 Intellectual Property. No proceedings have been instituted or are pending or, to the best of Lessor's actual knowledge, threatened which challenge the validity of the ownership by Lessor of the Intellectual Property, and Lessor knows of no meritorious basis therefor. To the best of Lessor's actual knowledge, Lessor has not interfered with, infringed upon, misappropriated, or violated any intellectual property, or confidential or proprietary rights of any third party relating to the Intellectual Property. To the best of Lessor's actual knowledge, the Lessor's use of the Intellectual Property does not constitute such infringement, misappropriation or violation and the Lessor has not received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation. Lessor has not granted any license, permission or other authorization to any other person/entity to use such Intellectual Property (other than the Indicia) and Lessor has no actual knowledge of the unauthorized use or infringement of any of such Intellectual Property by any other person/entity. Lessor owns (or possesses adequate and enforceable licenses or other rights to use) all Intellectual Property.

3.22 No Omissions or Misstatements. To the best of Lessor's actual knowledge, there is no fact Material to the assets, liabilities, business or prospects of the Facilities or the Operating Assets which has not been set forth or described in this Agreement, or the Affiliated Agreements, or on the Schedules attached hereto or thereto, which is Material to the business, operations or financial condition of the Facilities. To the best of Lessor's actual knowledge, none of the information included in this Agreement and Schedules, or other documents furnished, or to be furnished, by Lessor, or any of its representatives, contains any untrue statement of a Material fact, or is misleading in any Material respect, or omits to state any Material fact necessary in order to make any of the statements herein or therein not misleading. Copies of all documents referred to in any Schedule attached hereto have been delivered or made available to Lessee, and constitute true, accurate, correct and complete copies thereof, and include all amendments, exhibits, schedules, appendices, supplements or modifications thereto or waivers thereunder.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES BY LESSEE

Lessee makes the following representations and warranties to Lessor as of Signing Date and Closing.

4.1 Organization. Lessee is a non-profit corporation duly incorporated, validly existing, and in good standing under the laws of the State of Tennessee.

4.2 Power and Authority. Lessee has full power and authority to enter into this Agreement, to carry out the transactions contemplated hereunder, and to carry out its obligations hereunder.

4.3 Authorization. Lessee is duly authorized to execute, deliver and perform this Agreement.

4.4 Application for Tax-Exempt Status. Lessee has applied to the Internal Revenue Service to receive a determination that Lessee is an organization described in Section 501(c)(3) of the Code as exempt from federal income tax under Section 501(a) of the Code.

4.5 No Violation. Lessee is not subject to any limitation, restriction or provision of any nature whatsoever contained in Lessee's charter or bylaws, or in any evidence of indebtedness, indenture, commitment, agreement or contract to which Lessee is a party or by which it is bound, or subject to any existing judgment, order or decree binding upon Lessee, which in any way limits, restricts or prevents Lessee from entering into this Agreement or performing any of its obligations hereunder.

4.6 Enforceability. This Agreement, and the Affiliated Agreements executed by Lessee of even date herewith, constitute the legal, valid and binding obligations of Lessee, enforceable in accordance with their respective terms, except insofar as: (a) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with creditors; and (b) the remedy of injunctive and other forms of equitable relief may be subject to equitable defenses (including commercial reasonableness, good faith and fair dealing), and to the discretion of the court before which any proceeding therefor may be brought.

4.7 Insurance. Lessee will have insurance coverage in effect for the Existing Facility Operations as required by Article IX of this Agreement.

4.8 No Omissions or Misstatements. To the best of Lessee's actual knowledge, there is no fact Material to the assets, liabilities, business or prospects of the Facilities or the Operating Assets which has not been set forth or described in this Agreement, or the Affiliated Agreements, or on the Schedules attached hereto or thereto, which is Material to the business, operations or financial condition of the Facilities. To the best of Lessee's actual knowledge, none of the information included in this Agreement and Schedules, or other documents furnished, or to be furnished, by Lessee, or any of its representatives, contains any untrue statement of a Material fact, or is misleading in any Material respect, or omits to state any Material fact necessary in order to make any of the statements herein or therein not misleading. Copies of all documents referred to in any Schedule attached hereto have been delivered or made available to Lessor, and constitute true, accurate, correct and complete copies thereof, and include all amendments, exhibits, schedules, appendices, supplements or modifications thereto or waivers thereunder.

4.9 Financial Statements. The pro-forma financial statements for Lessee as of June 30, 1998 (i.e., balance sheet, statement of changes in fund balances, statement of current revenues, expenditures and other changes, and accompanying footnotes) will have been provided to Lessor prior to Closing and will include the financial assets and operations for Lessee.

4.10 No Litigation. Except as previously disclosed to Lessor in writing, there are no Material claims, actions, suits, arbitrations, license revocations, governmental investigations,

inquiries or proceedings pending or, to the best actual knowledge of Lessee, threatened against Lessee, at law or in equity, or before any governmental or administrative board, agency or authority.

ARTICLE V

COVENANTS OF LESSOR AND LESSEE

The following covenants contained in this Article V shall be effective from and after the Signing Date.

5.1 Maintenance of Facilities. Lessor and Lessee shall not, under any circumstances, be required to build or rebuild any Improvements or Lessee Improvements on the Facilities (excluding the Henley Street Facility), or to make any repairs, replacements, alterations, restorations, or renewals of any nature or description to the Facilities (excluding the Henley Street Facility), whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto in connection with this Agreement, or to maintain the Facilities (excluding the Henley Street Facility) in any way; provided, however, Lessee shall maintain Facilities (excluding the Henley Street Facility) which are open to the public or otherwise in use in good and safe repair, in accordance with the standards generally considered as good for medical facilities and hospitals.

5.2 Operation of Facilities. It is intended that Lessee will qualify at all times as an organization exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Code. The Lessee is a public benefit corporation within the meaning of Tenn. Code Ann. § 48-51-101, et seq., formed for charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code, including, but not limited to, operating the Hospital in a manner which will fulfill the Hospital's mission statement of dedication to its continuation as the premier center to offer medical care to the underserved population of the thirteen (13) county area served by the Hospital as required by Tenn. Code Ann. § 49-9-1301; providing health care services for the residents of the region and beyond, including specialized care that is customarily available at academic medical centers; supporting medical research and education; providing a patient base for training physicians, dentists, nurses and other health professionals; supporting clinical research and research training; contracting with, forming joint ventures and partnerships with, and owning interests in other organizations which provide health care services within or as a part of integrated health care delivery systems; and any other activity which supports the delivery of health care services, but only to the extent and in such manner that such purposes constitute exclusively charitable, scientific and educational purposes within the meaning of Section 501(c)(3) of the Code.

Subject to: (a) the requirements of the Enabling Legislation and this Agreement; and (b) the terms and conditions of any Affiliated Agreement, Lessee shall have the sole and exclusive charge of the operation of the Facilities (other than the Henley Street Facility), which rights shall include those rights set forth in Article VIII herein.

5.3 Compliance With Applicable Law.

(a) Lessee shall not use, operate or occupy, nor permit any use, operation or occupancy of, the Facilities, or any part thereof, contrary to the Enabling Legislation or Legal Requirements. Lessee also shall observe and comply in all Material respects with the requirements respecting the Facilities of all policies of insurance, or programs of self-insurance, at any time in force, with respect to any of the buildings, Improvements, machinery or Equipment constituting a part of the Facilities.

(b) Nothing in this Section 5.3 shall require Lessee to comply with any law, ordinance, order or governmental regulation so long as there is a substantial and legitimate question as to its applicability to Lessee, or so long as the interpretation or validity of such law, ordinance, order or governmental regulation shall be contested in good faith and by appropriate legal proceedings, including securing any necessary injunctive relief which will stay enforcement of such law, ordinance, order or governmental regulation.

5.4 Liens and Encumbrances. Except for Permitted Encumbrances, Lessee covenants and agrees that it shall not create or suffer to be created any lien, encumbrance or charge upon Lessee's leasehold interest in the Facilities or the Operating Assets and that it will satisfy or cause to be discharged, or shall make adequate provision to satisfy and discharge, within sixty (60) days after the same shall be due, all lawful claims and demands for labor, materials, supplies or other items. Nothing in this Section 5.4 shall require Lessee to satisfy or discharge any such charge, claim or demand so long as the validity thereof shall be contested in good faith by appropriate legal proceedings, and upon posting bond, if required. Lessee covenants and agrees that it is not permitted to create any encumbrance on the Henley Street Facility.

5.5 Tax-Exempt Status.

(a) Lessee covenants and agrees that it will diligently pursue its application filed with the Internal Revenue Service for a determination that Lessee is an organization described in Section 501(c)(3) of the Code. Lessee further covenants and agrees that it shall not perform any act or enter into any agreement which shall adversely affect the federal income tax status of Lessee, and shall conduct its operations and that of the Hospital so as to maintain Lessee's status, once so determined, as a charitable organization within the meaning of Section 501(c)(3) of the Code which is exempt from federal income taxes under Section 501(a) of the Code, or any successor provisions of federal income tax law.

(b) To the extent permitted by law, Lessor and Lessee agree to take such action as the laws of Tennessee permit to ensure that the Facilities are, and remain at all times, during the Term of this Agreement, exempt from ad valorem and other state and local taxation to the maximum extent allowed by law.

5.6 License and Accreditation. Lessee will procure, and maintain in good standing, a license from the State to operate the Hospital as a hospital. Lessee will cause the Hospital to have

JCAHO accreditation throughout the Term of this Agreement, or such accreditation issued by a nationally recognized accrediting body that in the judgment of Lessee's Board of Directors is in the best interest of the Hospital.

5.7 Consents and Notices. Lessor shall use its best efforts to obtain all consents and shall give all notices which may be required in connection with this Agreement, including, without limitation, those required for the transfer of the Assigned Leases and Contracts to Lessee and the assumption by Lessee of the Assumed Liabilities hereunder in accordance with the terms of such agreements and liabilities. Lessor shall provide Lessee with satisfactory evidence that all such Material consents have been obtained and notices have been given upon Lessee's written request.

5.8 Lessor and Lessee Not to Compete. To the extent not prohibited or required by law, Lessor hereby covenants that during the Term of this Agreement, it shall not without the prior written consent of Lessee: (a) construct, fund, own, sponsor, manage or operate any acute-care hospital facility, ambulatory surgical center, physician clinic, emergency or urgent care center, management services organization, managed care company, or any similar facility within one hundred (100) miles of the boundaries of Knox County, Tennessee; or (b) offer, provide or fund any health care related services which compete with the services offered by Lessee or the Hospital as of such date, other than a student health clinic and the activities of the athletics departments.

5.9 Continued Existence. Lessor and Lessee each covenant to continue their respective legal existence, and shall not voluntarily dissolve or take steps to terminate their continued legal existence without the prior written consent of the other.

5.10 Continued Validity of Representations and Warranties. Lessor and Lessee each covenant that they will make reasonable efforts to cause their respective representations and warranties herein to remain true, accurate, correct, and complete during the Term of this Agreement.

5.11 Repayment of Debt. Lessor covenants that it will utilize the Consideration to immediately defease all of the Lessor's and State's debt with regard to the Hospital, the Facilities and the Existing Facility Operations.

5.12 Cooperation. Lessor and Lessee each covenant to: (a) cooperate in the administration of this Agreement and the Affiliated Agreements; (b) execute documents as required to effectuate the transactions contained in this Agreement; (c) make available during normal business hours information necessary to the effective administration of this Agreement; and (d) to hold any such information as confidential to the fullest extent allowed by law. Lessee will maintain permanent records of the disposal of hazardous waste materials generated by Existing Facility Operations before and after Closing. Lessee will make these records available to Lessor for its use in defending any claim against UT arising out of the disposal of hazardous waste materials. Upon termination of this Agreement, Lessee will provide copies of these records to Lessor.

5.13 UT Student Health Clinic Services. Lessee covenants and agrees to continue to provide the patient care services it currently provides to UT students in accordance with the policies and procedures attached as Schedule 5.13.

5.14 Hospital Discount. To the extent permitted by applicable law, Lessee agrees to continue the current discount on inpatient and outpatient Hospital services provided to UT Employees, their spouses and dependent children; provided, however, the discount shall not apply to UT Employees whose beginning date of employment is on or after February 1, 2000.

5.15 Continued Access to the Hospital for all Employees of Lessor. Lessor and Lessee will each use their respective best efforts, working with the State of Tennessee, to allow the Hospital to be included as one of the hospital providers in each health care plan offered to employees of Lessor.

5.16. Post-Closing Gifts, Trusts and Bequests. Lessor and Lessee covenant and agree that after Closing, Lessor will not accept new gifts or bequests for the patient care mission of the Hospital, nor will Lessor manage any gifts or bequests made directly to Lessee. Consistent with its statutory powers, Lessor may serve as the trustee of an inter vivos or testamentary trust created for the benefit of the patient care mission of the Hospital.

5.17 Pre-Closing Gifts, Trusts, and Bequests. Lessor and Lessee covenant and agree that no gift, trust, or bequest made to Lessor up to and including the Closing shall be transferred to Lessee under this Agreement, but if the instrument of gift, trust, or bequest provides that income or corpus shall be used for the patient care mission of the Hospital rather than for the education and research mission of the Graduate School of Medicine, Lessor shall transfer the income or corpus to Lessee in compliance with the terms of the instrument.

ARTICLE VI

LESSOR'S CONDITIONS TO CLOSING

The obligations of Lessor hereunder are, at the option of Lessor, subject to the satisfaction, on or prior to the Closing, of the following conditions, unless waived in writing by Lessor:

6.1 Representations/Warranties. The representations and warranties of Lessee contained in this Agreement shall be true in all Material respects when made and on and as of the Closing as though such representations and warranties had been made on and as of such Closing; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Lessee on or before the Closing, pursuant to the terms hereof, shall have been duly complied with and performed in all Material respects.

6.2 Action/Proceeding. No action or proceeding before a court or any other governmental agency or body shall have been instituted to restrain or prohibit the transactions herein contemplated and no governmental agency or body shall have taken any other action or made any request of Lessee

or Lessor as a result of which Lessor reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

6.3 Order Prohibiting Transaction. No order shall have been entered in any action or proceeding before any court or governmental agency, and no preliminary or permanent injunction by any court shall have been issued which would have the effect of: (a) making the transactions contemplated by this Agreement illegal; (b) otherwise preventing consummation of such transactions; or (c) imposing Material limitations on the ability of Lessor effectively to lease the Facilities and sell and transfer the Operating Assets. There shall have been no federal or state statute, rule or regulations enacted or promulgated after the date of this Agreement that would reasonably, directly or indirectly, result in any of the consequences referred to in this Section 6.3.

6.4 Lessee's Deliveries. Lessee shall have delivered to Lessor each of the items specified at Section 13.1.

6.5 Approvals. Each of the approvals required by the Enabling Legislation must have been properly received.

6.6 Insurance. Lessor shall have reasonably consented to the insurance arrangements described in Article IX of this Agreement.

6.7 Legal Opinion. Lessor shall have received a favorable opinion from counsel to Lessee, in a form mutually satisfactory to the Lessor and Lessee.

6.8 Affiliated Agreements. All of the conditions precedent to the obligations of Lessor in each of the Affiliated Agreements must have been satisfied.

ARTICLE VII

LESSEE'S CONDITIONS TO CLOSING

The obligations of Lessee hereunder are, at the option of Lessee, subject to satisfaction, on or prior to the Closing, of the following conditions, unless waived in writing by Lessee:

7.1 Representations/Warranties. The representations and warranties of Lessor contained in this Agreement shall be true in all Material respects when made, and on and as of the Closing, as though such representations and warranties had been made on and as of such Closing; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Lessor on or before the Closing, pursuant to the terms hereof, shall have been duly complied with and performed in all Material respects.

7.2 Licenses and Permits. Lessee shall have reasonable assurances from the State licensing agencies that upon the Closing, licenses to operate the Existing Facility Operations as

currently operated by the Lessor will be transferred to, or reissued in the name of, Lessee. Lessee shall have obtained all other consents, licenses, permits, approvals, determinations or certificates of need required for Lessee to lease and operate the Facilities as contemplated hereby.

7.3 Action/Proceeding. No action or proceeding before a court or any other governmental agency or body shall have been instituted to restrain or prohibit the transactions herein contemplated and no governmental agency or body shall have taken any other action or made any request of Lessee or Lessor as a result of which Lessee reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

7.4 Lessor's Deliveries. Lessor shall have delivered to Lessee each of the items specified at Section 13.2.

7.5 Order Prohibiting Transaction. No order shall have been entered in any action or proceeding before any court or governmental agency, and no preliminary or permanent injunction by any court shall have been issued which would have the effect of: (a) making the transactions contemplated by this Agreement illegal; (b) otherwise preventing consummation of such transactions; or (c) imposing Material limitations on the ability of Lessee effectively to lease the Facilities or acquire and hold the Operating Assets. There shall have been no federal or state statute, rule or regulations enacted or promulgated after the date of this Agreement that would reasonably, directly or indirectly, result in any of the consequences referred to in this Section 7.5.

7.6 Due Diligence. Lessee shall be satisfied, in all respects, with the condition of, and title to, the Facilities and Operating Assets, in Lessee's sole discretion.

7.7 Approvals. Each of the approvals required by the Enabling Legislation must have been properly received.

7.8 Financing. Lessee shall have received acceptable financing from a public or private placement of tax-exempt bonds (or, to the extent required by the Code, taxable bonds) issued by Lessee sufficient to fund Lessee's obligations hereunder, at a rate and terms acceptable to Lessee in its sole discretion.

7.9 Title Policy. Lessee shall have received from Lessor a leasehold owner's title policy acceptable to Lessee.

7.10 Legal Opinion. Lessee shall have received a favorable opinion from the UT Office of General Counsel, in a form satisfactory to Lessor and Lessee.

7.11 Affiliated Agreements. All of the conditions precedent to the obligations of Lessee in each of the Affiliated Agreements must have been satisfied.

ARTICLE VIII

IMPROVEMENTS; DISPOSITION OF PROPERTY; SURRENDER

8.1 Lessee Improvements. All buildings, structures, improvements, machinery, equipment and other property which shall be constructed, placed or installed in, or upon, the Real Property after Closing, as an addition to, or as a substitute for, or in renewal or replacement of, any buildings, structures, improvements, furnishings, equipment or other property constituting part of the Facilities (except the Henley Street Facility) on the Real Property (the "Lessee Improvements") shall (unless Lessor and Lessee otherwise provide by signed written agreement directed to a specific item) be excluded from Improvements hereunder without any further act or deed, and nothing herein shall be construed as subjecting real property other than the Real Property, or improvements not located on the Real Property, to the provisions of this Agreement. The Real Property and Improvements shall be completely within the control of Lessee throughout the Term hereof, and Lessee shall have the right at any time to erect, construct, maintain, alter, reconstruct, demolish, build, and replace any Improvements without the permission of Lessor or the State Building Commission, which, by approval of this Agreement, elects, in its sound discretion, not to supervise these projects, subject to the provision set forth in this Section 8.1 below. Prior to the construction of new buildings, addition of square footage to existing buildings, or the complete internal or external demolition of existing buildings, Lessee shall give Lessor and the State Architect, on behalf of the State Building Commission, written notice of such plans at least one hundred and fifty (150) days prior to commencement. Lessor and the State Architect, on behalf of the State Building Commission, shall have sixty (60) days to review and approve or disapprove such plans in order to oversee the general development of the campus, but approval shall not be unreasonably withheld and shall be deemed to have been given unless Lessor or the State Architect, on behalf of the State Building Commission, give written notice to Lessee of objections (stated with specificity) within such sixty (60) day period.

8.2 Disposition of Facilities and Operating Assets. As permitted by Article XI hereof, and otherwise except as may be limited by the Enabling Legislation, Lessee: (i) may freely pledge, mortgage, hypothecate, assign, or sublease its leasehold interest in any of the leased Facilities (except the Henley Street Facility) hereunder; and (ii) may freely transfer, convey, sell, pledge, mortgage, hypothecate, assign, lease, or sublease any Operating Asset transferred hereunder.

8.3 Surrender of Improvements and Lessee Improvements. Upon the expiration of the Term hereof, all Improvements and Lessee Improvements (excluding Operating Assets) located on

the Real Property shall be surrendered to and become the absolute property of Lessor at no cost to Lessor and free and clear of all liabilities, liens, or other encumbrances. Lessee shall execute a bill of sale, deed, or any other documentation reasonably requested by Lessor to confirm the transfer of title to Improvements and Lessee Improvements.

8.4 Easements; Plats. If Lessee, or any Leasehold Mortgagee, determines that it is necessary or advantageous to grant any easement or license of any kind under, over, across or connecting the Real Property or any portion thereof, or to plat or replat the Real Property or any portion thereof, Lessee or any Leasehold Mortgagee shall be entitled to grant easements and execute any plats or replats with respect to its leasehold interest only. Lessor shall cooperate with and execute any applications, permits, plats and other documents as may be necessary or proper for Lessee (a) to be afforded necessary zoning classifications for the Real Property; (b) to have access to any portion of the Facilities (except the Henley Street Facility) not otherwise accessible by public road; (c) to obtain any required governmental approvals of site or building plans for the demolition, construction, improvement, maintenance, use and enjoyment of any Improvements now existing or to be erected on the Real Property (except the Henley Street Facility); or (d) to provide or maintain utility services to the Real Property and any Improvements. No other easements shall be permitted except as described in this Section 8.4.

ARTICLE IX

INSURANCE

9.1 Required Insurance. At all times beginning on Closing and continuing while this Agreement is in effect, Lessee shall maintain, or cause to be maintained, such insurance of the types specified below in amounts and with such deductibles as shall be comparable to coverages carried by institutions possessing, operating and managing assets similar to those being leased to Lessee under this Agreement:

(a) on the Facilities (except the Henley Street Facility): insurance coverage for loss or damage by fire, vandalism and malicious mischief, theft, extended coverage perils commonly known as "All Risk" and all physical loss perils, (including, but not limited to, sprinkler leakage, windstorm, hail, earthquake, tornado, explosion, riot, aircraft, smoke and vehicle damage), in an amount not less than one hundred percent (100%) of the then Full Replacement Cost thereof (as defined below in Section 9.2) with a replacement cost endorsement sufficient to prevent Lessee from becoming a co-insurer together with an agreed value endorsement;

(b) on the Facilities (except the Henley Street Facility): insurance coverage of boilers, pressure vessels, auxiliary piping and selected machinery objects (pumps and compressors);

(c) claims for personal injury or property damage under a policy of comprehensive general liability insurance including, malpractice insurance protecting Lessee against liability for death, injury, loss or damage as a result of, or arising out of, examination, diagnosis, treatment or

care of (or failure to so examine, diagnose, treat or care for) any patient of the Hospital or any occupant of the same, but not limited to insurance against assumed or contractual liability including, any indemnities under this Agreement with amounts not less than Five Million Dollars ($5,000,000) per occurrence and Ten Million Dollars ($10,000,000) aggregate in respect of bodily injury and death, and Ten Million Dollars ($10,000,000) aggregate for property damage (Lessor and Lessee will reevaluate these insurance limits every ten (10) years during the Term of this Agreement to adjust the limits to the then current market conditions);

(d) on the Facilities (except the Henley Street Facility): insurance coverage for flood (when the Facilities are located in whole or in part within a designated flood plain area) and such other hazards and in such amounts as may be customary for comparable properties in the area, and if available from insurance companies authorized to do business in the state in which the Real Property is located, at rates which are economically practicable in relation to the risks covered;

(e) fleet automobile liability insurance in the amount equal to Ten Million Dollars ($10,000,000) combined single limits;

(f) worker's compensation (including, without limitation, coverage for UT Hospital Employees and Lessee Employees) and unemployment coverages as required or permitted by the State and employer's liability in an amount of at least Five Million Dollars ($5,000,000);

(g) builder's risk insurance, completed value form, for the total amount of the construction project, including all change orders therein, during the construction of any Lessee Improvements;

(h) director's and officer's liability insurance in an amount of at least Ten Million Dollars ($10,000,000);

(i) special risk insurance (if applicable); and

(j) environmental risk insurance in an amount of at least Twenty-Five Million Dollars ($25,000,000).

Where feasible, Lessor shall be named as a joint named insured or an additional named insured on such policies, unless Lessor and Lessee mutually agree prior to Closing that the cost of such action is prohibitive.

9.2 Replacement Cost. The term "Full Replacement Cost," as used herein, shall mean replacement cost as defined in the relevent insurance policy.

9.3 Insurers and Policies. All of the policies of insurance referred to in this Article IX shall be written in form satisfactory to Lessor and by insurance companies satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and deliver such policies or certificates thereof to

Lessor prior to their effective date (and, with respect to any renewal policy, at least fifteen (15) days prior to the expiration of the existing policy) and in the event of the failure of Lessee either to effect such insurance in the names herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to enact such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor, and failure to repay the same shall constitute an event of default. Each insurer mentioned in this Section 9.3 shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor thirty (30) days' written notice before the policy or policies in question shall be altered, allowed to expire or canceled.

9.4 Lessee's Right to Self-Insure.

(a) Subject to the terms of Subsection (b) below, and so long as Lessee is not in default under the terms of this Agreement, Lessee shall have the right to self-insure the risks that would otherwise be covered by the insurance required to be maintained by Lessee by the terms of Section 9.1 above. If Lessee desires to exercise its right to self-insure, Lessee shall so notify Lessor and Lessee shall thereupon assume the risks of and shall pay from its assets the costs, expenses, damages, claims, losses, and liabilities relating to injury or death to persons or damage to property, if and to the same extent that a third party insurance company would have paid those amounts if the insurance company were insuring those risks under the policies described in Section 9.1 above.

(b) Notwithstanding anything contained in this Agreement to the contrary, the terms of this Section 9.4 shall only apply if and for so long as Lessee's net worth shall equal or exceed fifty million dollars ($50,000,000), adjusted by the CPI from Closing (the "Net Worth Requirement"). Furthermore, Lessee's right to self-insure shall be exercised only by positive action of Lessee's board of directors. Lessor, at it own discretion, may waive the provisions of this Section 9.4(b) in writing.

(c) Within one hundred twenty (120) days of the end of Lessee's Fiscal Year, Lessee shall cause its certified public accounting firm to issue a letter delivered to Lessor stating whether the Net Worth Requirement has been satisfied and which contains a description of Lessee's self-insurance program.

(d) Lessee shall promptly notify Lessor in writing in the event its net worth falls below the Net Worth Requirement, or if Lessee is required to or elects to terminate its program of self-insurance for any reason whatsoever. That notice shall be accompanied by a certificate of insurance from a third-party insurance company which evidences the existence of the insurance coverage required to be maintained pursuant to the terms of Section 9.1.

9.5 Involuntary Loss; Use of Insurance Proceeds; Condemnation Awards and Sale Proceeds.

(a) If during the Term hereof, all or any part of the Facilities (excluding the Henley Street Facility and Lessee Improvements) shall be damaged or destroyed by whatever cause, or shall be taken by any public authority or entity in the exercise of, or acquired under the threat or the exercise of, the power of eminent domain (for purposes hereof, an "Involuntary Loss"), Lessee shall give prompt notice of such Involuntary Loss to Lessor.

(b) Lessee may repair, rebuild or restore the Facilities (except the Henley Street Facility) damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by it and Lessee may receive the insurance proceeds, condemnation awards or sale proceeds resulting from such Involuntary Loss and shall apply said proceeds for such purpose together with any additional moneys necessary therefor. Any condemnation award relating solely to the underlying fee simple interest owned by Lessor shall be paid to Lessor.

(c) Lessee and Lessor shall cooperate fully with one another in the handling and conduct of any prospective, pending or threatened condemnation proceedings, or with respect to any settlement or negotiation proceedings involving coverage provided under any policy of insurance.

(d) Lessor agrees to take no portion of the Facilities (except the Henley Street Facility) in any condemnation or eminent domain proceeding without Lessee's consent. In the event any portion of the Facilities (except the Henley Street Facility) are acquired in any condemnation or eminent domain proceeding by Lessor or the State, or by conveyance in lieu thereof, the proceeds thereof shall be paid to Lessee and Lessee shall be entitled to claim compensation from the condemning authority for business damages. Any condemnation award relating solely to the underlying fee simple interest owned by Lessor shall be paid to Lessor.

(e) Any balance remaining after completion of the repair, rebuilding or restoration of the Facilities which is attributable to business interruption insurance proceeds shall be paid to Lessee.

(f) Nothing in this Agreement shall be construed as obligating Lessee in any way, or to any extent, to repair, restore or replace the Facilities (except the Henley Street Facility), or any part thereof, except from funds made available as provided in this Article IX.

(g) Notwithstanding anything in this Agreement to the contrary, all funds contemplated in this Article IX shall be paid and disbursed in accordance with the Bond Indenture or any Leasehold Mortgage.

9.6 Failure to Carry Insurance or Self-Insurance. In the event Lessee shall at any time during the Term hereof neglect or refuse to procure or maintain insurance or self-insurance as herein required, Lessor may, at its option, and following at least thirty (30) days' written notice to Lessee, except where a shorter period of written notice is necessary to avoid a default on the Bonds, or to prevent any loss or forfeiture thereof, procure and maintain such insurance, and Lessee shall be

obligated to reimburse promptly Lessor for all amounts expended in connection therewith, and failure to reimburse such amounts shall constitute an event of default.

ARTICLE X

CONTINGENT LIABILITIES

10.1 Survival. The provisions of Section 10.2 and Section 10.3 of this Agreement shall survive the termination of this Agreement and thereafter remain in full force and effect until any right of recovery is barred by any applicable statute of limitation. The provisions of Section 10.4, Section 10.5 and Section 10.6 of this Agreement shall survive the termination of this Agreement and thereafter remain in full force and effect for five (5) years after expiration of the statute of limitations applicable to any claim with respect to which Section 10.4, Section 10.5 and Section 10.6 imposes an obligation on UHS.

10.2 Right of Recovery of Lessee. Lessee shall be entitled to recover from Lessor the amount of any Damages, arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by Lessor in this Agreement or any Affiliated Agreement;

(b) any Breach by Lessor of any covenant or obligation of Lessor in this Agreement or any Affiliated Agreement; or

(c) any payment by Lessee in respect of an Excluded Contract or Lease.

In all cases, Lessee's recovery shall be limited (to the extent applicable) to the terms, limits, and conditions of the Tennessee Claims Commission Act, provided, however, nothing in this Agreement shall permit Lessee to terminate this Agreement upon the happening of any event giving rise to Lessee's right of recovery pursuant to this Article X, its exclusive remedies being those described in Article X herein.

10.3 Right of Recovery of Lessor. Lessor will be entitled to recover from Lessee the amount of any Damages arising, directly or indirectly, from or in connection with: (a) any Breach of any representation or warranty made by Lessee in this Agreement or any Affiliated Agreement; or (b) any Breach by Lessee of any covenant or obligation of Lessee in this Agreement or any Affiliated Agreement; provided, however, nothing in this Agreement shall permit Lessor to terminate this Agreement upon the happening of any event giving rise to Lessor's right of recovery pursuant to this Article X, its exclusive remedies being those described in Article X herein.

10.4 Liability With Respect To UT Hospital Employees. UT Hospital Employees performing services under the Employee Services Agreement are "loaned servants" of UHS. *Respondeat superior* liability for the acts and omissions of UHS Employees and the acts and

omissions of UT Hospital Employees on or after Closing shall lie solely with UHS. All workers' compensation liability for occurrences on or after Closing with respect to UT Hospital Employees shall lie solely with UHS. At all times during the Term of this Agreement, and at its expense, UHS shall provide workers' compensation insurance for UT Hospital Employees in accordance with applicable Tennessee law.

10.5 Protection For UT Hospital Employees. UT and UHS understand and agree that in performing services under the Employee Services Agreement, the UT Hospital Employees are state employees "employed in the service of the state" and their "compensation is payable by the state" within the meaning of Tenn. Code Ann. § 8-42-101(3)(A) and Tenn. Code Ann. § 8-34-101(18). Therefore, UT and UHS understand and agree that the UT Hospital Employees remain eligible to participate in the UT Retirement Plans and other UT Benefit Plans and remain eligible to raise the absolute immunity defense provided in Tenn. Code Ann. § 9-8-307(h) against individual or personal liability for acts or omissions within the scope of their employment. Notwithstanding the above, UT and UHS agree that all *respondeat superior* liability for the acts and omissions of the UT Hospital Employees lies solely with UHS, which will exercise exclusive direction and control over the performance of services by UT Hospital Employees under the Employee Services Agreement. UHS shall indemnify, defend, and hold harmless UT Hospital Employees against all individual or personal liability for Damages arising out of, attributable to, or in connection with, any act or omission of a UT Hospital Employee in the performance of services under the Employee Services Agreement, except for willful, malicious, or criminal acts or omissions, or for acts or omissions done for personal gain.

10.6 Indemnification of UT, State, and UT and State Employees. (a) UHS shall indemnify, defend, and hold harmless UT, the State, and their agents, trustees, officers, employees, and successors against all Damages in any way arising out of, attributable to, or in connection with: (1) the Existing Facility Operations before, on or after the Closing; (2) any act or omission of a UHS Employee or a UT Hospital Employee after the Closing regardless of whether the act or omission relates to the Existing Facility Operations; or (3) any act or omission of a UHS Employee or a UT Hospital Employee before the Closing only if the act or omission relates to the Existing Facility Operations. Without limiting the generality and scope of the preceding sentence, the obligations of UHS under this Section 10.6 shall include, without limitation, the following liabilities: Prior Legal Liabilities, tort liability, worker's compensation liability, premises liability, environmental liability, professional liability, malpractice liability, employment discrimination liability, civil rights liability and liability for breach of any constitutional, statutory, common law or contractual duty. Notwithstanding any provision herein to the contrary, the indemnification and hold harmless obligations of UHS under this Article X with respect to a claim filed under the Tennessee Claims Commission Act for Damages arising out of, attributable to, or in connection with, an occurrence before Closing, and for which jurisdiction lies under the Tennessee Claims Commission Act, shall be limited to the monetary limits of liability established by the Tennessee Claims Commission Act. The indemnification and hold harmless obligation of UHS under this Article X shall be construed as an obligation to pay Damages and not merely as an obligation to reimburse UT, the State, and their agents, trustees, officers, employees and successors for Damages paid by them. The obligations

of UHS under this Article X shall not be deemed or construed to waive or abrogate in any way the sovereign immunity of UT, the State, or any officer or employee of UT or the State.

(b) UHS's obligation under this Article X to defend a claim for Damages filed against UT, the State, or a UT or State employee (including a UT Hospital Employee) in his or her official capacity shall be subject to the following provisions:

(1) All claims filed before Closing and pending as of Closing shall be defended by UT at its own attorney expense.

(2) All claims (i) arising out of, attributable to, or in connection with, an occurrence before Closing and (ii) filed on or after Closing under the Tennessee Claims Commission Act shall be defended by UT. UHS shall pay all UT defense costs, including, without limitation the cost of UT attorney time, at a rate annually agreed upon in writing, and reasonable private attorney fees incurred to assist UT in defending the claim, as agreed upon in writing from time to time.

(3) In the event of a claim (i) arising out of, attributable to, or in connection with, an occurrence before Closing, (ii) filed on or after Closing in a state or federal court or administrative agency, and (iii) against which UT or the State has full or partial immunity from suit under state or federal law, UT or the State shall appear and raise the immunity defense at its own attorney expense. If the claim is not dismissed, UHS shall defend the claim, subject to obtaining any applicable statutory approvals.

(4) In the event of a claim (i) arising out of, attributable to, or in connection with, an occurrence before Closing, (ii) filed on or after Closing in a state or federal court or administrative agency, and (iii) against which UT and the State do not have immunity from suit under state or federal law, UT or the State may elect to defend the claim at its own attorney expense. If UT and the State elect not to defend, UHS shall defend the claim, subject to obtaining any applicable statutory approvals.

(5) In the event of a claim (i) arising out of, attributable to, or in connection with, an occurrence on or after Closing and (ii) filed under the Tennessee Claims Commission Act, UT shall appear and seek dismissal at its own attorney expense. If the claim is not dismissed, UT may elect to defend the claim. In that event, UHS shall pay all UT defense costs, including, without limitation, the cost of UT attorney time, at a rate annually agreed upon in writing, and reasonable private attorney fees incurred to assist UT in defending the claim, as agreed upon in writing from time to time. If UT elects not to defend the claim, UT shall file a petition for removal of the claim to the appropriate chancery or circuit court with venue, pursuant to applicable removal provisions of the Tennessee Claims Commission Act. Upon removal of the claim, UHS shall defend the claim in the chancery or circuit court, subject to obtaining any applicable statutory approvals.

(6) In the event of a claim (i) arising out of, attributable to, or in connection with, an occurrence on or after Closing and (ii) filed in a state or federal court or administrative agency, UT or the State may elect to appear and seek dismissal at its own attorney expense. If UT and the State elect not to appear and seek dismissal, or the claim is not dismissed, UHS shall defend the claim, subject to obtaining any applicable statutory approvals.

(c) In accordance with its indemnification and hold harmless obligations under this Article X, UHS shall pay all Damages under a claim defended by UT or the State pursuant to Section 10.6(b); provided, however, that the obligation of UHS to pay attorney expenses of UT and the State shall be limited by applicable provisions of Section 10.6(b). Notwithstanding any provision of Section 10.6 to the contrary, UHS shall have the right to participate in the defense of any claim for Damages for which it may become liable under this Agreement or applicable law; provided, however, UHS understands and agrees that under current law, UHS is not entitled to appear and defend a claim under the Tennessee Claims Commission Act.

(d) UT and the State shall have the right, through legal counsel, to monitor and review the defense by UHS of any claim for Damages in which UT, the State, or UT or State employees in their official capacities are named as defendants. UHS shall obtain the approval of legal counsel for UT or the State prior to raising sovereign immunity or other legal defenses on behalf of UT, the State, or UT or State employees in their official capacities. UHS shall not raise the defense of sovereign immunity as to any claim for Damages against UHS, its agents, officers, directors, employees or successors if the claim arose out of, was attributable to or was in connection with any act or omission on or after Closing by UHS, its agents, officers, directors, employees or successors. Nothing herein shall be construed to prohibit UHS from raising the defense of sovereign immunity as to any claim arising out of, attributable to or in connection with an act or omission by UT, the State or a UT or State employee, as long as the defense would have been properly raised by UT, the State, or a UT or State employee.

(e) Nothing in this Section 10.6 shall be construed to obligate UHS to indemnify, defend and hold harmless a UT Hospital Employee against individual or personal liability for Damages arising out of, attributable to, or in connection with, willful, malicious, or criminal acts or omissions, or acts or omissions done for personal gain.

10.7 Injunctive Relief. In addition to the other remedies described in this Article X, to the extent permitted by law, the parties may pursue injunctive relief with a court of competent jurisdiction for enforcement of the provisions of this Agreement; provided however that injunctive relief against UT or the State shall be available, if at all, only pursuant to the provisions of the Tennessee Claims Commission Act.

ARTICLE XI

FINANCING

11.1 Lessee's Right to Obtain Financing. At any time, and from time to time, during the Term hereof, Lessee shall have the sole responsibility for obtaining, and the right and privilege to obtain, and shall be entitled to all proceeds of, all financing (including, without limitation, interim, permanent, capital improvements, and equity) secured by or benefitting the Facilities, or any part thereof, and all refinancing of all or any part of such financing (interim, permanent, capital improvements, and equity), subject to the terms and conditions of this Article XI.

11.2 Limitations on Financing. Lessee's rights to obtain such financing and refinancing shall be subject only to the following conditions:

(a) The Person providing any such financing or refinancing shall agree that Lessor shall not be liable for the payment of such indebtedness or the performance of any of the covenants contained in the documents securing payment thereof; provided, however, subject to the requirements of the Enabling Legislation, that the above provisions shall not be deemed to exculpate Lessor from any liability it may ever have to such mortgagee, as the successor-in-interest of the Lessee hereunder, by reason of Lessor's covenants, obligations, and warranties set forth herein, including, but not limited to, Landlord's warranty of title to the Facilities (except the Henley Street Facility).

(b) The Person providing any such financing or refinancing shall agree to give Lessor written notice of any default by Lessee thereunder and time to cure such default prior to the exercise of any remedies such Person may have with respect to the Facilities (except the Henley Street Facility) as a result of such default, which notice and time-to-cure periods shall not be less than the notice and time-to-cure periods granted to Lessee under the documentation evidencing such financing, but which may run concurrently therewith. Lessor shall have no obligation to cure any such default, but any cure performed by Lessor shall constitute an indebtedness of Lessee to Lessor hereunder and shall be repayable to Lessor upon written demand therefor, and moreover, failure to repay same shall constitute an event of default.

11.3 Rights of Leasehold Mortgagee.

(a) In addition to the financing or refinancing permitted pursuant to Sections 11.1 and 11.2 hereof, and subject to the limitations of Section 11.2, Lessee shall have the right at any time, and from time to time, without Lessor's consent, to mortgage, pledge, grant deed(s) of trust, or otherwise encumber the leasehold estate created hereby and all or any portion of the right, title, and interest of Lessee hereunder (defined herein as a "Leasehold Mortgage"), and to assign, hypothecate, or pledge the same, as security for the payment of any debt to any Leasehold Mortgagee; provided that no mortgagee, trustee, or other Person claiming by, through, or under any instrument creating any such encumbrance on the leasehold estate created hereby, shall by virtue thereof, acquire any

greater right in the Real Property than Lessee then had under this Agreement, except for the rights expressly granted to such mortgagee, trustee, purchaser at foreclosure, or other Person under the terms of this Agreement; and provided, further, that such mortgage, deed of trust, or other instrument encumbering the leasehold estate created hereby, and the indebtedness secured thereby, shall at all times be, and remain subject to, all of the conditions, covenants, and obligations of this Agreement and to all of the rights of Lessor hereunder. As to any such Leasehold Mortgage in favor of a Leasehold Mortgagee, Lessor consents to provisions therein, at the option of Lessee upon default of Lessee under the Leasehold Mortgage: (i) for an assignment of Lessee's share of the net proceeds from any award or other compensation resulting from a total or partial taking as set forth in Article IX of this Agreement; (ii) that a default by Lessee under this Agreement shall constitute a default under any such Leasehold Mortgage; (iii) for an assignment of Lessee's right, if any, to terminate, cancel, modify, change, supplement, alter, or amend this Agreement; (iv) for an assignment of any sublease to which any such Leasehold Mortgage is subordinated, subject to the rights of Lessor hereunder; and (v) effective upon any default in any such Leasehold Mortgage: (A) for the foreclosure of the Leasehold Mortgage pursuant to a power of sale or by judicial proceedings or other lawful means, and the subsequent sale of the leasehold estate to the purchaser at the foreclosure sale and a sale by such purchaser and/or a sale by any subsequent purchaser; (B) for the appointment of a receiver, irrespective of whether any Leasehold Mortgagee accelerates the maturity of all indebtedness secured by the Leasehold Mortgage; (C) for the rights of the Leasehold Mortgagee or the receiver to enter and take possession of the Real Property, to manage and operate the same, to collect the subrentals, issues and profits therefrom (subject to the terms of this Agreement), and to cure any default under the Leasehold Mortgage or any default by Lessee under this Agreement; and (D) for an assignment of Lessee's right, title, and interest in and to the premiums for, or dividends upon, any insurance with respect to the Facilities (except the Henley Street Facility), as well as in all refunds or rebates of real estate taxes or assessments upon or other charges against the Facilities (except the Henley Street Facility), whether paid or to be paid, under a default of Lessee under the Leasehold Mortgage. The parties recognize and agree that Tennessee Code Annotated Section 49-9-1301(b)(2) does not apply to any conveyance permitted by this Section 11.3.

(b) If at any time after the execution and recordation of any such Leasehold Mortgage, the mortgagee or trustee therein shall notify Lessor in writing that any such Leasehold Mortgage has been given and executed by Lessee, and shall at the same time furnish Lessor with the address to which it desires copies of notices to be mailed, Lessor hereby agrees that it will thereafter mail to such mortgagee or trustee at the address so given, duplicate copies of any and all notices in writing which Lessor may from time to time give or serve upon Lessee under and pursuant to the terms and provisions of this Agreement.

11.4 Liability of Leasehold Mortgagee. No Leasehold Mortgagee shall be or become liable to Lessor as an assignee of this Agreement or otherwise until it expressly assumes by written instrument such liability, and no assumption shall be inferred or result from foreclosure or other appropriate proceedings in the nature thereof or as the result of any other action or remedy provided for by any mortgage or deed of trust or other instrument executed in connection with such Leasehold

Mortgage or from a conveyance from Lessee pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interests of Lessee under the terms of this Agreement.

11.5 No Encumbrances by Lessor. Lessor will not at any time, without the prior written consent of Lessee, which consent may be withheld with or without cause, encumber by mortgage, deed of trust, security agreement, easement, or other instrument in the nature thereof, the Facilities (except the Henley Street Facility) or any part thereof, or any of Lessor's right, title, or interest therein or in any part thereof.

ARTICLE XII

MISCELLANEOUS

12.1 Governing Law. This Agreement is made, entered into under, and shall be construed in accordance with, the laws of the State of Tennessee.

12.2 Non-Binding Mediation. In the event a dispute between the parties relating to this Agreement, or the Breach thereof, and if said dispute cannot be settled through negotiation, the parties (including senior management for Lessor and Lessee) hereto agree to attempt in good faith to settle the dispute by non-binding mediation under non-binding mediation rules mutually acceptable to both Lessor and Lessee. The parties must participate in good faith in non-binding mediation, before resorting to some other dispute resolution procedure.

12.3 No Waiver. Subject to the provisions of the Tennessee Claims Commission Act, a party's failure to respond to a Breach by the other party shall not operate as a waiver of their rights under this Agreement or otherwise. Any delay or omission by a party in its exercise of any right or power accruing upon any Breach shall not impair or constitute a waiver of such right or power by that party and any such right or power may be exercised from time to time and as often as may be deemed expedient. No act or omission of either party shall constitute a waiver of any provisions of this Agreement unless the waiver has been agreed to in writing by the party granting the waiver.

12.4 Notice. Notice must be given in writing (including facsimile, but not electronic mail) which identifies itself as a notice under this Agreement. Notice is effective on the date which is the later of: (a) the actual date received; (b) five (5) business days after the notice is deposited with the U.S. Postal Service, postage prepaid, certified mail, return receipt requested; or (c) three (3) business days after the notice is deposited prepaid with a national overnight package delivery service for overnight delivery. Notice must be given to the following addresses unless the parties have given prior notice of a change of address:

(A) If to Lessor:

President
The University of Tennessee
800 Andy Holt Tower
Knoxville, Tennessee 37996

with a copy to:

General Counsel
Office of the General Counsel
The University of Tennessee
700 Andy Holt Tower
Knoxville, Tennessee 37996

(B) If to Lessee:

President and CEO
University Health System, Inc.
The University of Tennessee Medical Center
at Knoxville
1924 Alcoa Highway
Knoxville, Tennessee 37920

with a copy to:

M. Kevin Outterson, Esq.
Baker, Donelson, Bearman & Caldwell
1700 Nashville City Center
511 Union Street
Nashville, Tennessee 37219

(C) If to the State:

Commission of Finance and Administration
First Floor, State Capitol
Nashville, Tennessee 37243
Attention: Commissioner

with a copy to:

Office of the General Counsel
The University of Tennessee
719 Andy Holt Tower
Knoxville, Tennessee 37996
Attention: General Counsel

(D) If to Bond Indenture Trustee:

First Tennessee Bank National Association
511 Union Street, 3rd Floor
Nashville, Tennessee 37219-1736
Attention: William F. McCormick

with a copy to: Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219-2386
Attention: Cynthia Mitchell Barnett

12.5 Entire Agreement. This Agreement, together with the Schedules attached hereto and the Affiliated Agreements, constitutes the entire understanding between the parties hereto regarding the subject matter of this Agreement. Any prior oral or written agreements, promises, negotiations or representations relating to the subject matter of this Agreement not expressly set forth in this Agreement are of no force or effect.

12.6 No Third-Party Beneficiaries. This Agreement does not confer any benefit or right upon any Person other than the parties hereto, and no party claiming third-party beneficiary status shall be entitled to enforce any obligations, responsibility or claim of any party to this Agreement.

12.7 Nonassignment. This Agreement may not be assigned by the Lessee without the express prior written consent of the Lessor; except that the Lessee may assign this Agreement to Affiliates, including a parent, subsidiary, or brother-sister corporation created pursuant to the Enabling Legislation, without the consent of the Lessor.

12.8 Article and Section Headings. All article and section headings are included for convenience only and shall not be considered a part of nor shall they affect in any manner the construction or interpretation of this Agreement.

12.9 Severability. If any one or more of the sentences, sections or other portion of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such sentence, section or other portion of this Agreement shall in no way affect the validity or effectiveness of the remainder of this Agreement, and this Agreement shall continue in force to the fullest extent permitted by law.

12.10 Amendment. This Agreement may only be amended by a written agreement duly executed by Lessee and Lessor.

12.11 Covenants Considered Material. All covenants made by Lessor or Lessee herein shall be considered to be Material to the Agreement.

12.12 Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original constituting but one and the same instrument.

12.13 No Personal Liability. Notwithstanding anything to the contrary contained herein, or in any Affiliated Agreement, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any

present or future member, director, trustee, affiliate, officer, employee or agent of Lessor or Lessee or of any incorporator, member, director, trustee, affiliate, officer, employee or agent of any successor to Lessor or Lessee, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for a breach or nonobservance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

12.14 Good Faith. Good faith is the essence of this Agreement. Lessor and Lessee each agrees to exercise good faith and commercial reasonableness in the interpretation, performance and enforcement of this Agreement.

12.15 Auditing Records. Lessee shall maintain documentation for all charges against the State or Lessor under this Agreement. The books, records, and documents of Lessee, insofar as they relate to work performed or money received under this Agreement, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit, at any reasonable time, and upon reasonable notice, by the State, the Comptroller of the Treasury, Lessor, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.

12.16 Consents and Approvals. Whenever the written consent or approval of Lessor or Lessee or any officer thereof, shall be required under the provisions of this Agreement, such consent or approval shall not be unreasonably withheld, conditioned, or delayed.

12.17 Recording. The parties agree that a short form memorandum of this Agreement, in customary form, may be recorded in the Register's Office for Knox County, Tennessee.

12.18 Relationship of Parties. Nothing contained in this Agreement shall be construed or deemed by the parties hereto or by any third-party to create a relationship of partnership or of joint venture or of any association whatsoever between and among Lessor and Lessee.

12.19 Time is of the Essence. Time is of the essence in the performance by each party of its obligations hereunder.

12.20 No Merger. There shall be no merger of this Agreement or of the leasehold estate created hereby by reason of the fact that the same person or Person may acquire, own or hold, directly or indirectly: (a) this Agreement or the leasehold estate created hereby or any interest in this Agreement or such leasehold estate; and (b) the fee estate in the Real Property.

ARTICLE XIII

DELIVERIES

13.1 Deliveries to Lessor. Simultaneously with the Closing (or, when so noted, simultaneously with the Signing Date), Lessee shall deliver the following to Lessor:

(a) Certified Resolutions of Lessee. Resolutions of the Boards of Directors of Lessee, duly certified as of the date hereof by the Secretary of Lessee, authorizing the execution, delivery and performance of this Agreement and the Affiliated Agreements by Lessee. This resolution shall be delivered on the Signing Date.

(b) Affiliated Agreements. The Affiliated Agreements executed by a duly authorized officer of Lessee. These deliveries shall be made on the Signing Date.

(c) Legal Opinion. An opinion of counsel for Lessee in form and substance satisfactory to Lessor and Lessee concerning the Lessee's representations and warranties made hereunder.

(d) Schedules. The Schedules described in this Agreement which are the responsibility of Lessor, correct and complete when given and as of the Closing.

(e) Other Instruments. Such other instruments, certificates and other documents as may be reasonably requested by Lessor to effectuate the transactions contemplated by this Agreement.

13.2 Deliveries to Lessee. Simultaneously with the Closing (or, when so noted, simultaneously with the Signing Date), Lessor shall deliver the following to Lessee:

(a) Certified Resolutions of Lessor. Resolutions of the Board of Trustees of Lessor, duly certified as of the date hereof by the secretary of the Board of Trustees, authorizing the execution, delivery and performance of this Agreement by Lessor. This resolution shall be delivered on the Signing Date.

(b) Affiliated Agreements. The Affiliated Agreements authorized by a duly authorized officer of Lessor and, where applicable, the State. These deliveries shall be made on the Signing Date.

(c) Bill of Sale and Assignment. A Bill of Sale and Assignment in the form attached hereto and incorporated herein (as adjusted at the Closing by mutual consent) as Schedule 13.2(c) warranting and conveying to Lessee good, valid, and marketable title to the Operating Assets free and clear of all liens, mortgages, pledges, encumbrances, security interests, covenants, restrictions, defects in title, and other burdens, except for the Permitted Encumbrances.

(d) Certificates of Title. Certificates of title to all motor vehicles that constitute Equipment endorsed by Lessor, together with completed originals of any forms required by the State to transfer the same, free and clear of all liens.

(e) Assignment of Leases and Contracts. An effective and enforceable assignment to Lessee of those Assigned Leases and Contracts as Lessee shall designate.

(f) Legal Opinion. A favorable opinion from the UT Office of General Counsel, in a form mutually satisfactory to Lessor and Lessee.

(g) Schedules The Schedules described in this Agreement which are the responsibility of Lessee, correct and complete when given and as of the Closing.

(h) Approvals. Certified evidence of the approvals required under the Enabling Legislation.

(i) Other Instruments. Such other instruments, certificates and other documents as may be reasonably requested by Lessee to effectuate the transactions contemplated by this Agreement. This provision shall survive the Closing.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal as of the day and year first above written.

Lessor:

THE UNIVERSITY OF TENNESSEE

By: _____
Title: President

Attest:

By: Karen M. Moore
Title: Notary Public

Lessee:

UNIVERSITY HEALTH SYSTEM, INC.

By: _____
Title: President & CEO

Attest:

By: Karen M. Moore
Title: Notary Public

State:

THE STATE OF TENNESSEE, BY AND THROUGH ITS COMMISSIONER OF FINANCE AND ADMINISTRATION

By: _____
Title: Commissioner

Attest:

By: Karen M. Moore
Title: Notary Public

Approved:

THE ATTORNEY GENERAL OF
THE STATE OF TENNESSEE

Approved:

THE GOVERNOR OF THE STATE
OF TENNESSEE

ACKNOWLEDGMENT

STATE OF TENNESSEE
COUNTY OF Davidson

Before me, Karen M. Moore, a Notary Public in and for the State and County aforesaid, personally appeared Joseph E. Johnson, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself (or herself) to be the President of THE UNIVERSITY OF TENNESSEE, the within named bargainor, a State Agency, and that he as such President, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the university by himself as such President.

WITNESS my hand and seal at office, on this the 8th day of July, 1999.

Karen M. Moore
Notary Public

My Commission Expires:

May 28, 2000

ACKNOWLEDGMENT

STATE OF TENNESSEE
COUNTY OF Davidson

Before me, Karen M. Moore, a Notary Public in and for the State and County aforesaid, personally appeared C. E. Bilbrey, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself (or herself) to be the President & CEO of **UNIVERSITY HEALTH SYSTEM, INC.**, the within named bargainor, a corporation, and that he as such President & CEO, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such President & CEO.

WITNESS my hand and seal at office, on this the 8th day of July, 1999.

Karen M. Moore
Notary Public

My Commission Expires:

May 28, 2000

SCHEDULE 1.56(a)

REAL PROPERTY

BOUNDARY DESCRIPTIONS

BEING SITUATED IN DISTRICT NO. 9, KNOX COUNTY, TENNESSEE, AND WARD NO. 24 OF THE CITY OF KNOXVILLE, AND BEING MORE PARTICULARLY BOUNDED AND DESCRIBED BASED ON DRAWING NO. 98144 BY URBAN ENGINEERING, INC., FARRAGUT, TN, AS FOLLOWS:

TRACT 1

Beginning at a concrete right of way monument in the northeastern right of way line of Cherokee Trail at the intersection of said line with the southeastern right of way line of Old Cherokee Trail, said monument having Tennessee Lambert Grid Co-ordinates N590,364.5; E 2,577,930.2; thence, from said point of beginning with the right of way line of Old Cherokee Trail, eight consecutive calls as follows:

1. N34°56'E 145.63 feet to an iron pin;
2. With the arc of a curve to the left 203.00 feet to a P.K. nail, said curve having a radius of 300.04 feet and a chord of N16°49'E, 199.15 feet;
3. N2°34'W 20.05 feet to an iron pin;
4. S87°26'W 80.00 feet to an iron pin, said pin being defined as Point 'A' for further reference herein;
5. S2°34'E 20.05 feet to an iron pin;
6. with the arc of a curve to the right 148.88 feet to a P.K. nail, said curve having a radius of 220.04 feet and a chord of S16°49'W 146.05 feet;
7. S36°12'W 129.74 feet to an iron pin;
8. N89°02'W 31.49 feet to a drill hole in a concrete curb;

thence, with the northern right of way line of Cherokee Trail, a total of seven consecutive calls, as follows:

9. with the arc of a curve to the left 317.14 feet to an iron pin, said curve having a radius of 714.81 feet and a chord of N72°35'W 314.54 feet;
10. N82°48'W 114.71 feet to a P.K. nail;
11. S80°41'W 599.77 feet to an iron pin;
12. S85°39'W 277.15 feet to an iron pin;
13. with the arc of a curve to the right 99.42 feet to an iron pin, said curve having a radius of 329.26 feet and a chord of N85°42'W 99.04 feet;
14. N55°09'W 140.19 feet to an iron pin;
15. N82°25'W 256.16 feet to an iron pin;

thence, with a line which is the common boundary of property of the University of Tennessee further described herein as Tract 2, a total of two consecutive calls as follows:

16. N8°52'W 310.00 feet to an iron pin;
17. N30°33'E 1177.52 feet to an iron pin;

thence, severing remaining property of the University of Tennessee, generally following the south edge of an existing driveway, a total of eight consecutive calls as follows:

18. N80°43'E 347.79 feet to an iron pin;
19. with the arc of a curve to right 123.02 feet to an iron pin, said curve having a radius of 325.0 feet and a chord of S88°26'E 122.29 feet;
20. S77°35'E 114.28 feet to an iron pin;
21. S83°48'E 30.16 feet to an iron pin;
22. with the arc of a curve to the left 111.00 feet to an iron pin, said curve having a radius of 350.0 feet and a chord of N87°07'E 110.54 feet to an iron pin;
23. N78°02'E 67.93 feet to an iron pin;

24. N58°05'E 105.99 feet to an iron pin;
25. N56°23'E 133.11 feet to an iron pin;

thence, continuing with a line severing remaining property of the University of Tennessee, a total of two consecutive calls, as follows:

26. N56°23'E 147.76 feet to an iron pin near the banks of Fort Loudoun Lake;
27. N56°23'E approximately 70 feet to a point on the 808 contour on the southern shoreline of Fort Loudoun Lake;

thence, southeasterly with the meanders of the 808 contour along the southern shoreline of Fort Loudoun Lake approximately 1120 feet to a point, said meander line having a chord of S59°38'E 1085.66 feet; thence, with property of Cherokee Bluff Co-owners Council, Inc., a total of five consecutive calls as follows:

28. S1°39'W approximately 50 feet to an iron pin near the banks of Fort Loudoun Lake;
29. S1°39'W 174.27 feet to a concrete monument, said monument having Tennessee Lambert Grid Co-ordinates N591,380.9 E 2,578,738.3;
30. S18°20'W 24.92 feet to an iron pin;
31. with the eastern boundary of Tract 5 further described herein S18°20'W 162.78 feet to an iron pin;
32. S18°20'W 1283.28 feet to a concrete right of way monument;

thence, with the northeastern right of way line of Cherokee Trail, a total of two consecutive calls as follows:

33. N32°13'W 166.80 feet to a concrete right of way monument;
34. N47°03'W 350.58 feet to the point of beginning;

and containing 72.50 acres after excluding Tracts 3,4,5,6, and 7 as further described herein.

TRACT 2

Beginning at a concrete right of way monument in the eastern right of way line of Alcoa Highway (U.S. 129), said monument having Tennessee Lambert Grid Co-ordinates N590,687.3, E2,575,777.5; thence, from said point of beginning with the eastern right of way line of Alcoa Highway, a total of four consecutive calls as follows:

35. N9°22'W 370.38 feet to a concrete right of way monument;
36. N9°22'W 391.31 feet to an iron pin;
37. S82°53'W 10.0 feet to an iron pin;
38. N7°00'W 107.37 feet to an iron pin;

thence, severing remaining property of the University of Tennessee, generally following the east, then south edge of an existing driveway, a total of twelve consecutive calls as follows:

39. with the arc of a curve to the left 108.79 feet to an iron pin, said curve having a radius of 75.0 feet and a chord of N34°34'E 99.50 feet;
40. N7°00'W 78.11 feet to an iron pin;
41. with the arc of a curve to the right 42.46 feet to an iron pin, said curve having a radius of 25.0 feet and a chord of N41°40'E 37.54 feet;
42. S89°41'E 158.31 feet to an iron pin;
43. S88°36'E 327.55 feet to an iron pin;
44. S87°00'E 60.50 feet to an iron pin;
45. N84°45'E 52.73 feet to an iron pin;
46. N86°24'E 135.52 feet to an iron pin;
47. with the arc of a curve to the left 41.80 feet to an iron pin, said curve having a radius of 35.0 feet and a chord of N52°11'E 39.36 feet;
48. N17°58'E 48.05 feet to an iron pin;
49. with the arc of a curve to the right 60.24 feet to an iron pin, said curve having a radius of 55.0 feet and a chord of N49°21'E 57.27 feet;
50. N80°43'E 117.73 feet to an iron pin;

thence, continuing with a line which is the common boundary of property of the University of Tennessee previously described herein as Tract 1, a total of two consecutive calls as follows:

51. S30°33'W 1177.52 feet to an iron pin;
52. S8°52'E 310.00 feet to an iron pin;

thence, with the right of way of Alcoa Highway four consecutive calls as follows:

53. N82°25'W 16.95 feet to an iron pin;

54. S34°04'W 130.0 feet to an iron pin;
55. N85°02'W 142.85 feet to an iron pin;
56. N18°40'W 254.95 feet to the point of beginning;

and containing approximately 15.215 acres.

TRACT 3

To reach the point of beginning commence at above defined point 'A'; thence, N17°00'E 48.15 feet to an iron pin; thence, N2°19'W 311.20 feet to an iron pin which is the point of beginning; thence from said point of beginning with the common boundary of Tract 4 as further described herein S87°55'W 287.50 feet to an iron pin; thence, severing Tract 1 as previously described herein, a total of six consecutive calls as follows:

57. N1°21'W 300.03 feet to an iron pin;
58. N87°55'E 262.30 feet to an iron pin;
59. S10°49'E 49.40 feet to an iron pin;
60. S8°49'E 60.0 feet to an iron pin;
61. S5°49'E 98.0 feet to an iron pin;
62. S2°22'E 93.80 feet to the point of beginning;

and containing approximately 1.924 acres.

TRACT 4

To reach the point of beginning commence at above defined Point 'A'; thence, N17°00'E 48.15 feet to an iron pin; thence, N2°19'W 311.20 feet to an iron pin which is the point of beginning; thence, from said point of beginning severing Tract 1 as previously described herein, a total of four consecutive calls as follows:

63. S2°19'E 311.20 feet to an iron pin;
64. S87°55'W 403.36 feet to an iron pin;
65. N2°05'W 311.20 feet to an iron pin;
66. N87°55'E 114.59 feet to an iron pin;

thence, with the common boundary of Tract 3 as previously described herein N87°55'E 287.50 feet to the point of beginning; and containing approximately 2.877 acres.

TRACT 5

To reach the point of beginning, commence at a concrete monument in the common boundary between Cherokee Bluff Co-Owners Council, Inc., and Tract 1 as previously described herein, said monument having Tennessee Lambert Grid Co-ordinates N591,380.9 E2,578,738.3; thence, S18°20'W 24.92 feet to an iron pin which is the point of beginning; thence, from said point of beginning with the boundary of Cherokee Bluff Co-Owners Council, Inc., S18°20'W 162.78 feet to an iron pin; thence, severing Tract 1 as previously described herein, a total of nine consecutive calls, as follows:

67. N69°35'W 83.06 feet to an iron pin;
68. S87°28'W 208.67 feet to an iron pin;
69. N41°06'W 13.32 feet to an iron pin;
70. N89°43'W 8.29 feet to an iron pin;
71. N2°06'W 89.21 feet to an iron pin;
72. N85°12'E 200.78 feet to an iron pin;
73. N7°30'E 39.34 feet to an iron pin;
74. N72°29'E 10.12 feet to an iron pin;
75. S80°45'E 144.83 feet to the point of beginning;

and containing approximately 0.938 acres.

TRACT 6

To reach the point of beginning, commence at a concrete monument in the common boundary between Cherokee Bluff Co-owners Council, Inc. and Tract 1 as previously described herein, said monument having Tennessee Lambert Grid Co-ordinates N591,380.9, E2,578,738.3; thence, N59°55'W 483.96 feet to an iron pin, which is the point of beginning; thence, from said point of beginning severing Tract 1 as previously described herein, a total of ten consecutive calls, as follows:

76. S87°47'W 272.53 feet to an iron pin;
77. N30°10'W 34.12 feet to an iron pin;
78. N54°12'E 40.29 feet to an iron pin;
79. N58°54'E 18.66 feet to an iron pin;
80. N58°23'E 29.87 feet to an iron pin;
81. N10°03'E 26.31 feet to an iron pin;
82. N53°50'E 47.61 feet to an iron pin, said pin being defined as Point 'B' for further reference herein;
83. N89°34'E 121.56 feet to an iron pin;
84. S35°51'E 81.49 feet to an iron pin;
85. S3°06'E 56.75 feet to the point of beginning;

and containing approximately 0.652 acres.

TRACT 7

To reach the point of beginning, commence at above referenced Point 'B'; thence, N58°24'W 159.32 feet to an iron pin which is the point of beginning; thence, from said point of beginning, severing Tract 1 as previously described herein four consecutive calls, as follows:

86. S56°09'W 168.19 feet to a P.K. nail;
87. N28°45'W 114.02 feet to a P.K. nail;
88. N61°16'E 167.29 feet to an iron pin;
89. S28°53'E 99.02 feet to the point of beginning;

and containing approximately 0.409 acres.

All of the above described Tracts 1 through 7 being a portion of the same property conveyed to the State of Tennessee as Trustee for the use and benefit of the University of Tennessee by deeds from Knox County, Tennessee dated January 26, 1916 and July 22, 1942 recorded at Deed Book 285, page 397 and Deed Book 645, page 180, respectively, Register's Office for Knox County, Tennessee.

ACCESS EASEMENT TO TRACT 3

To reach the point of beginning commence at above referenced Point 'A'; thence, N87°26'E 15.93 feet along the north right of way line which terminates Old Cherokee Trail right of way to a point which is the point of beginning; thence, severing Tract 1, previously described herein N2°19'W 45.37 feet to an iron pin; thence with the eastern boundary of Tract 4 previously described herein N2°19'W 311.20 feet to an iron pin; thence, with the eastern boundary of Tract 3 previously described herein N2°22'W 93.80 feet to an iron pin; thence, two consecutive calls severing Lot 1 previously described herein, as follows:

90. N87°38'E 40.0 feet to a point;
91. S2°22'E 93.81 feet to a point;
92. S2°19'E 356.42 feet to a point;

thence, S87°26'W 40.0 feet with the north right of way line which terminates Old Cherokee Trail right of way to the point of beginning.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Food and Drug Administration
10903 New Hampshire Avenue
Document Control Center – WO66-G609
Silver Spring, MD 20993-0002

Siemens Medical Solutions USA, Inc.
% Ms. Nadia Sookdeo
Regulatory Affairs Technical Specialist
51 Valley Stream Parkway
MALVERN PA 19355

November 19, 2014

Re: K141977
Trade/Device Name: Software syngo MR E11A for the MAGNETOM systems Aera/Skyra
Regulation Number: 21 CFR 892.1000
Regulation Name: Magnetic resonance diagnostic device
Regulatory Class: II
Product Code: LNH, LNI, MOS
Dated: October 31, 2014
Received: November 3, 2014

Dear Ms. Sookdeo:

We have reviewed your Section 510(k) premarket notification of intent to market the device referenced above and have determined the device is substantially equivalent (for the indications for use stated in the enclosure) to legally marketed predicate devices marketed in interstate commerce prior to May 28, 1976, the enactment date of the Medical Device Amendments, or to devices that have been reclassified in accordance with the provisions of the Federal Food, Drug, and Cosmetic Act (Act) that do not require approval of a premarket approval application (PMA). You may, therefore, market the device, subject to the general controls provisions of the Act. The general controls provisions of the Act include requirements for annual registration, listing of devices, good manufacturing practice, labeling, and prohibitions against misbranding and adulteration. Please note: CDRH does not evaluate information related to contract liability warranties. We remind you, however, that device labeling must be truthful and not misleading.

If your device is classified (see above) into either class II (Special Controls) or class III (PMA), it may be subject to additional controls. Existing major regulations affecting your device can be found in the Code of Federal Regulations, Title 21, Parts 800 to 898. In addition, FDA may publish further announcements concerning your device in the Federal Register.

Please be advised that FDA's issuance of a substantial equivalence determination does not mean that FDA has made a determination that your device complies with other requirements of the Act or any Federal statutes and regulations administered by other Federal agencies. You must comply with all the Act's requirements, including, but not limited to: registration and listing (21 CFR Part 807); labeling (21 CFR Part 801); medical device reporting (reporting of medical device-related adverse events) (21 CFR 803); good manufacturing practice requirements as set forth in the quality systems (QS) regulation (21 CFR Part 820); and if applicable, the electronic product radiation control provisions (Sections 531-542 of the Act); 21 CFR 1000-1050.

If you desire specific advice for your device on our labeling regulation (21 CFR Part 801), please contact the Division of Industry and Consumer Education at its toll-free number (800) 638 2041 or (301) 796-7100 or at its Internet address http://www.fda.gov/MedicalDevices/ResourcesforYou/Industry/default.htm. Also, please note the regulation entitled, "Misbranding by reference to premarket notification" (21 CFR Part 807.97). For questions regarding the reporting of adverse events under the MDR regulation (21 CFR Part 803), please go to http://www.fda.gov/MedicalDevices/Safety/ReportaProblem/default.htm for the CDRH's Office of Surveillance and Biometrics/Division of Postmarket Surveillance.

You may obtain other general information on your responsibilities under the Act from the Division of Industry and Consumer Education at its toll-free number (800) 638-2041 or (301) 796-7100 or at its Internet address http://www.fda.gov/MedicalDevices/ResourcesforYou/Industry/default.htm.

Sincerely yours,

Michael D. O'Hara

for

Janine M. Morris
Director
Division of Radiological Health
Office of In Vitro Diagnostics
and Radiological Health
Center for Devices and Radiological Health

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Food and Drug Administration

Indications for Use

Form Approved: OMB No. 0910-0120
Expiration Date: January 31, 2017
See PRA Statement below.

510(k) Number *(if known)*

K141977

Device Name
MAGNETOM Aera and MAGNETOM Skyra

Indications for Use *(Describe)*

The MAGNETOM systems described above are indicated for use as a magnetic resonance diagnostic device (MRDD) that produces transverse, sagittal, coronal and oblique cross sectional images, spectroscopic images and/or spectra, and that displays the internal structure and/or function of the head, body, or extremities.

Other physical parameters derived from the images and/or spectra may also be produced. Depending on the region of interest, contrast agents may be used. These images and/or spectra and the physical parameters derived from the images and/or spectra when interpreted by a trained physician yield information that may assist in diagnosis.

The MAGNETOM systems described above may also be used for imaging during interventional procedures when performed with MR compatible devices such as in-room display and MR-Safe biopsy needles.

Type of Use *(Select one or both, as applicable)*

☒ Prescription Use (Part 21 CFR 801 Subpart D) ☐ Over-The-Counter Use (21 CFR 801 Subpart C)

PLEASE DO NOT WRITE BELOW THIS LINE – CONTINUE ON A SEPARATE PAGE IF NEEDED.

FOR FDA USE ONLY

Concurrence of Center for Devices and Radiological Health (CDRH) *(Signature)*

This section applies only to requirements of the Paperwork Reduction Act of 1995.

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Department of Health and Human Services
Food and Drug Administration
Office of Chief Information Officer
Paperwork Reduction Act (PRA) Staff
PRAStaff@fda.hhs.gov

"An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number."

SIEMENS

510(k) Summary

This summary of 510(k) safety and effectiveness information is being submitted in accordance with the requirements of Safe Medical Device Act 1990 and 21 CFR § 807.92.

I. General Information

Establishment

Siemens Medical Solutions USA. Inc.
51 Valley Stream Parkway
Mail Code D02
Malvern, PA 19355, USA

Registration Number

2240869

Date Prepared

October 31, 2014

Manufacturer

Siemens AG
Henkestrasse 127
D-91052 Erlangen, Germany
Registration Number: 3002808157

SIEMENS SHENZHEN MAGNETIC RESONANCE LTD.
Siemens MRI Center
Hi-Tech Industrial park (middle)
Gaoxin C. Ave., 2nd
Shenzhen 518057, P.R. CHINA
Registration Number: 3004754211

Contact Person

Ms. Nadia Sookdeo
Regulatory Affairs Technical Specialist
Siemens Healthcare

Siemens Medical Solutions USA, Inc.
Customer Solutions Group
51 Valley Stream Parkway
Mail Code D02
Malvern, PA 19355, USA
Phone: (610) 448-4918
Fax: (610) 448-1787

Device Name

Software *syngo* MR E11A for the MAGNETOM systems Aera/Skyra

Trade Names:

MAGNETOM Aera
MAGNETOM Skyra

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Classification Name: Magnetic Resonance Diagnostic Device (MRDD)
Classification Panel: Radiology
CFR Code: 21 CFR § 892.1000
Classification: Class II
Product Code: Primary: LNH, Secondary: LNI, MOS

Predicate Device

Predicate Device Name	***FDA Clearance Number and Date***	***Product code***	***Manufacturer***
syngo MR D13A for the MAGNETOM systems Aera/Skyra(/Avanto/Verio)	K121434, cleared November 05, 2012	LNH LNI,MOS	Siemens AG

Reference Devices Thalassaemia Tools cleared with K073194 on February 14, 2008

Product	***FDA Clearance Number and Date***	**Product code**	**Manufacturer**
syngo MR D13A for the MAGNETOM systems Aera/Skyra(/Avanto/Verio)	K121434, cleared November 05, 2012	LNH LNI,MOS	Siemens AG
Tim TX True Shape and *syngo* MR D13C for MAGNETOM Skyra	K123510 cleared May 17, 2013	LNH	Siemens AG
Software update *syngo* MR D13A-AP-AA to *syngo* MR D13A for MAGNETOM Aera/Skyra	K132831 cleared November 01, 2013	LNH LNI,MOS	Siemens AG
MAGNETOM Aera/Skyra, *syngo* MR D13A with additional local coils	K133435 cleared December 12, 2013	LNH	Siemens AG
Thalassaemia Tools	K073194 cleared on February 14, 2008	LLZ	Cardiovascular Imaging Solutions Ltd.
syngo.MR Neurology	K121459 cleared June 22, 2012	LLZ, LNH	Siemens AG
syngo BreVis	K090038 cleared April 29, 2009	LNH	Siemens AG
"MAGNETOM Artis Combi Suite" for the MAGNETOM systems Aera/Skyra	K140253 cleared March 20, 2014	LNH, MOS	Siemens AG
MAGNETOM Spectra	K121160 cleared July 16, 2012	LNH, LNI,MOS	Siemens Shenzhen Magnetic Resonance Ltd.

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Product	*FDA Clearance Number and Date*	Product code	Manufacturer
MAGNETOM Aera with *syngo* MR D13E	K132951 cleared November 15, 2013	LNH	Siemens AG
Pediatric 16, a 1.5T Tim Coil/ Pediatric 16 a 3T Tim Coil for Aera/Skyra with *syngo* MR E11A	K140998 cleared July 11, 2014	MOS	QED

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II. Safety and Effectiveness Information Supporting Substantial Equivalence

Intended Use

The MAGNETOM systems [MAGNETOM Aera and MAGNETOM Skyra] are indicated for use as a magnetic resonance diagnostic device (MRDD) that produces transverse, sagittal, coronal and oblique cross sectional images, spectroscopic images and/or spectra, and that displays the internal structure and/or function of the head, body, or extremities.

Other physical parameters derived from the images and/or spectra may also be produced. Depending on the region of interest, contrast agents may be used. These images and/or spectra and the physical parameters derived from the images and/or spectra, when interpreted by a trained physician, yield information that may assist in diagnosis.

The MAGNETOM systems may also be used for imaging during interventional procedures when performed with MR compatible devices such as in-room display and MR-Safe biopsy needles.

Device Description

The subject device, software *syngo* MR E11A for MAGNETOM Aera and MAGNETOM Skyra offers two new applications, LiverLab (an application of non-invasive liver evaluation) and MyoMaps (an application designed to provide a means to generate pixel maps for myocardial MR relaxation times). In addition, software *syngo* MR E11A makes the Dot Cockpit available for the user to modify and create Siemens Dot Engine workflows in a very intuitive way which supplements some of the support of an application specialist. The software *syngo* MR E11A also includes new and modified sequences as well as minor modifications of already existing features. In addition, three additional coils are offered and some hardware components have been modified.

Siemens Medical Solutions, USA Inc., intends to market MAGNETOM Aera and MAGNETOM Skyra with new software, *syngo* MR E11A. While *syngo* MR E11A offers additional capabilities with respect to the predicate device, the MAGNETOM Aera and MAGNETOM Skyra have the same technological characteristics as the predicate device (K121434; Cleared November, 5, 2012).

Furthermore, Siemens Medical Solutions, USA Inc., intends to market a new configuration of the MAGNETOM Skyra with 24 receive channels with software *syngo* MR E11A.

The MAGNETOM Aera and MAGNETOM Skyra will be offered ex-factory (new production) as well as in-field upgrades for the currently installed MAGNETOM Aera and MAGNETOM Skyra systems. The new MAGNETOM Skyra configuration with 24 receive channels will be offered as an ex-factory option (new production).

Technological Characteristics

MAGNETOM Aera/Skyra with *syngo* MR E11A and the predicate devices are substantially equivalent with regard to acquiring MR images steps/features.

MAGNETOM Aera/Skyra with *syngo* MR E11A and the predicate devices are substantially equivalent with regard to operational environment, programming language, operating system and performance

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MAGNETOM Aera/Skyra with *syngo* MR E11A and MAGNETOM Aera/Skyra with software *syngo* MR D13A, conform to the standard for software medical devices (IEC 62304:2006) and IEC as well as NEMA standards.

Nonclinical Tests

The following performance testing was conducted on the subject device:

- The coils were tested for SNR, image uniformity, and heating.
- Dedicated phantom testing was conducted on particular new sequences.
- Acoustic noise measurements were performed for quiet sequences
- Image quality assessments of all new/modified sequences and algorithms, were completed. In some cases a comparison of the image quality was made between the new/modified features and the predicate features.
- Features of LiverLab was validated with volunteer as well as phantom scans, and synthetic raw data
- MyoMaps was tested on volunteers after ECG's were applied. MyoMaps was compared to Thalassaemia Tools in a 100 person study
- All other software features were verified and validated.

The results from each set of tests demonstrate that the device performs as intended and is thus substantially equivalent to the predicate devices to which it has been compared.

Clinical Tests

No clinical tests conducted to support the subject device and the substantial equivalence argument, however clinical images were provided to support the new coils as well as the new and modified software features of the subject device.

Safety and Effectiveness

The device labeling contains instructions for use and any necessary cautions and warnings, to provide for safe and effective use of the device.

Risk management is ensured via a risk analysis in compliance with ISO 14971:2007 to identify and provide mitigation to potential hazards in a risk analysis beginning early in the design phase and continuing throughout the development of the product. These risks are controlled via measures realized in software development, SW testing and product labeling. To minimize risks, Siemens adheres to recognized and established industry practices and standards, such as the IEC 60601-1 series, to minimize electrical and mechanical risk. Furthermore, the operators are healthcare professionals familiar with and responsible for the acquisition and post processing of magnetic resonance images.

The MAGNETOM Aera and MAGNETOM Skyra with software *syngo* MR E11A
conform to the applicable FDA recognized and international IEC, ISO and NEMA standards with regards to performance and safety as recommended by the respective MR FDA Guidance Document.

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Substantial Equivalence

MAGNETOM Aera and MAGNETOM Skyra with software *syngo* MR E11A are magnetic resonance diagnostic devices that include nearly all of the features of MAGNETOM Aera and MAGNETOM Skyra with *syngo* MR D13A.

Predicate Device Name	***FDA Clearance Number and Date***	***Product code***	***Manufacturer***
syngo MR D13A for the MAGNETOM systems Aera/Skyra(/Avanto/Verio)	K121434, cleared November 05, 2012	LNH LNI,MOS	Siemens AG

Conclusion as to Substantial Equivalence

MAGNETOM Aera and MAGNETOM Skyra with software *syngo* MR E11A have the same intended use and the same basic technical characteristics as the predecessor devices, MAGNETOM Aera and MAGNETOM Skyra with *syngo* MR D13A, with respect to the magnetic resonance features and functionalities. MAGNETOM Aera/Skyra with software *syngo* MR E11A will be used for acquiring MR images (transverse, sagittal, coronal and oblique cross sectional images, spectroscopic images and/or spectra). The predicate devices, MAGNETOM Aera/Skyra with software *syngo* MR D13A, are also capable of acquiring MR images (transverse, sagittal, coronal and oblique cross sectional images, spectroscopic images and/or spectra).

The differences between the subject device and the predicate device, which include the aforementioned new and modified software and hardware features (mainly software), give the subject device greater capabilities than the predicate device. While there are some technological characteristics which vary with respect to the predicate device, the conclusions from the non-clinical data suggest that the features (of different technological characteristics with respect to the predicate device) bear an equivalent safety and performance profile as that of the predicate and reference devices.

MAGNETOM Aera/Skyra with software *syngo* MR E11A is similar to the functionalities of the predicate and reference devices, and does not introduce any new issues of safety or effectiveness. Therefore, Siemens is of the opinion that MAGNETOM Aera/Skyra with *syngo* MR E11A does not raise new questions of safety or effectiveness and is substantially equivalent to the currently marketed device MAGNETOM Aera/ Skyra with software *syngo* MR D13A (K121434 cleared on November 5, 2012).

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 Strawberry Plains Pike, Ste 103
Knoxville TN 37914
Phone: 865-594-9396 Fax: 865-594-2168

July 30, 2015

Mr. Joseph Landsman, Jr., Administrator
University of Tennessee Memorial Hospital
1924 Alcoa Highway
Knoxville TN 37920

RE: 44-0015

Dear Mr. Landsman, Jr.:

The East Tennessee Region of Health Care Facilities conducted a complaint investigation on June 8-9, 2015. An on-site revisit was conducted on . Based on the on-site revisit and review of your plan of correction, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of July 23, 2015

If you have any questions, please contact the East Tennessee Regional Office by phone: 865-588-5656 or by fax: 865-594-5739.

Sincerely.

Karen B Kirby RN

Karen B. Kirby, RN
Regional Administrator
East TN Health Care Facilities

KK: kg

TN00036547

Board for Licensing Health Care Facilities

State of Tennessee

0000000046

No. of Beds 0581

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

UNIVERSITY HEALTH SYSTEM, INC *to conduct and maintain a*

Hospital THE UNIVERSITY OF TENNESSEE MEDICAL CENTER

Located at 1924 ALCOA HIGHWAY, KNOXVILLE

County of KNOX *, Tennessee.*

This license shall expire MARCH 04 , 2016 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 4TH *day of* MARCH , 2015 .

In the Distinct Category(ies) of:
GENERAL HOSPITAL
PEDIATRIC GENERAL HOSPITAL
TRAUMA CENTER LEVEL 1

By Vincent J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]
COMMISSIONER

SIEMENS

Siemens Medical Solutions USA, Inc.
51 Valley Stream Parkway, Malvern, PA 19355
Fax: (866) 309-6967

SIEMENS REPRESENTATIVE
Samuel Wilson - (865) 385-8514

Customer Number: 0000010899

Date: 9/26/2014

UNIVERSITY HEALTH SYSTEM INC
1924 ALCOA HWY
KNOXVILLE, TN 37920

Siemens Medical Solutions USA, Inc. is pleased to submit the following quotation for the products and services described herein at the stated prices and terms, subject to your acceptance of the terms and conditions on the face and back hereof, and on any attachment hereto.

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Proposal valid until 9/30/2014

Estimated Delivery Date: 3/31/2015

Estimated delivery date is subject to change based upon factory lead times, acceptance date of this quote, customer site readiness, and other factors. A Siemens representative will contact you regarding the final delivery date.

The FREEZEiT application is included in this MAGNETOM MRI system configuration, but will not be delivered until the system's operating software is upgraded to the next software version. Siemens has developed a solution (Quiet Suite) designed to reduce the operating noise level of the MRI system. Siemens will provide Quiet Suite at no additional cost, should customer upgrade to this next system operating software version.

This offer is only valid if firm, non-contingent orders for Quote# 1-AAL50S, 1-AANJKF, 1-ABCB8G, 1-7J70NK, 1-A9VBQ, 1-9YPLV1, 1-ACFGHP, 1-8XE5QP, 1-93CHMT, 1-8ZVB9D, and Quote# 1-7U2I41are simultaneously placed with Siemens.

This is a CONFIDENTIAL, one-time offer which may not be shared with any third parties, buying evaluation groups or anyone not directly employed by customer. This offer is only valid if a signed five-year GOLD level service contract accompanies the equipment order.

This Quotation is specific to University Health Systems and contains information which is confidential and proprietary to Siemens, including but not limited to discounts and pricing. The Customer may not distribute or disclose this quotation or any portion hereof to, or discuss any of the information (including pricing) contained herein with, any other customer or consultant, buying group, or other third party.

Accepted and Agreed to by:

Siemens Medical Solutions USA, Inc.

By (sign): Samuel Wilson
Name: Samuel Wilson

UNIVERSITY HEALTH SYSTEM INC

By (sign): Wm. D. Hall
Name: Wm. D. Hall

Attachment B, II, E, 3

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Samuel Wilson - (865) 385-8514

Title:	Account Executive	Title:	SVP & COO
Date:		Date:	9/30/14

All pages of the signed proposal must be returned to Siemens to process the order - Thank you.

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Quote Nr:	**1-A9VBQI Rev. 2**
Terms of Payment:	00% Down, 80% Delivery, 20% Installation Free On Board: Destination
Purchasing Agreement:	MEDASSETS MEDASSETS terms and conditions apply to Quote Nr 1-A9VBQI

MAGNETOM Skyra

All items listed below are included for this system: *(See Detailed Technical Specifications at end of Proposal.)*

Qty	Part No.	Item Description
1	14418500	**MAGNETOM Skyra - System** MAGNETOM Skyra - 3T Tim+Dot system - the integration of the next generation Tim "Tim 4G" and Siemens unique Dot Engines (Day optimizing throughput Engines). Short and open appearance (173 cm system length with 70 cm Open Bore Design). Tim 4G with redesigned RF system and all-new coil architecture. DirectRF(tm) technology enabling Tim's new all digital-in/ digital-out design - All-new coil architecture including Dual-Density Signal Transfer Technology - Whole-body superconductive Zero Helium Boil-Off 3T magnet - TrueForm Magnet and Gradient Design - Actively shielded water-cooled Siemens gradient system - TimTX TrueForm for uniform RF distribution in all body regions - Head/Neck 20 DirectConnect, Spine 32 DirectConnect, Body 18, Flex Large/Small 4 Dot offers patient personalization, user guidance and process automation. Brain Dot Engine - personalized, guided and automated workflows - Dot Display and Dot Control Centers for efficient patient preparation. Additional features included: -Tim Application Suite including Neuro, Angio, Cardiac, Body, Onco, Breast, Ortho, Pediatric and Scientific Suite - syngo MR software including 1D/2D PACE, syngo BLADE, iPAT², Phoenix, Inline Technologies. - High performance host computer and measurement and reconstruction system The system (magnet, electronics and control room) can be installed in 31sqm space. For system cooling either the Eco Chiller options or the Separator is required.
1	14418502	**Tim [204x48] XQ Gradients #Sk** Tim [204x48] XQ-gradients performance level - Tim 4G's newly designed RF system and innovative coil architecture enables high resolution imaging and increased throughput. Up to 204 simultaneously connected coil elements, in combination with the standard 48 independent RF channels, allow for more flexible parallel imaging. Maximum SNR through the new Tim 4G matrix coil technolgy. XQ - gradients - The XQ - gradients - high performance and linearity to support clinical whole body imaging at 3T. The force compensated gradient system minimizes vibration levels and accoustic noise. The XQ gradients combine 45 mT/m peak amplitude with a slew rate of 200 T/m/s.
1	08464872	**PC Keyboard US english #Tim** Standard PC keyboard with 101 keys.
1	14416914	**Pure White Design #T+D** The MAGNETOM Aera / MAGNETOM Skyra design is available in different light and appealing variants which perfectly integrates into the different environments. The color of the main face plate cover of the Pure White Design Variant with the integrated Dot Control Centers and the unique Dot Display is brilliant white surrounded by a brilliant silver trim. The asymetrical deco area on the left side is colored white matte and also with a brilliant surrounding silver trim. The table cover is presented also in the same color and material selection.
1	14418507	**Tim Dockable Table #Sk** The Tim Dockable Table is designed for maximum patient comfort and smooth patient preparation. Tim Dockable Table can support up to 250 kg (550 lbs) patients without restricting the vertical or horizontal movement. The one step docking mechanism and the innovative multi-directional navigation wheel ensure easy maneuvering and handling. Critically ill or immobile patients can now be prepared outside the examination room for maximum patient care, flexibility and speed.

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Qty	Part No.	Item Description
1	14405224	**Composing syngo #Tim** This application provides dedicated evaluation software for creation of full-format images from overlapping MR volume data sets and MIPs (starting from syngo MR B13) acquired at multiple stages.
1	14409198	**Native syngo #Tim** Integrated software package with sequences and protocols for non-contrast enhanced 3D MRA with high spatial resolution. syngo NATIVE particularly enables imaging of abdominal and peripheral vessels and is an alternative to MR angiography techniques with contrast medium, especially for patients with severe renal insufficiency.
1	MR_FREEZEIT	**Body MRI FREEZEit Package** MR_FREEZE BODY MRI - FREEZE IT Package FREEZEit Body Package contains two robust sequences for advanced body imaging: TWIST VIBE and StarVIBE. - TWIST VIBE is a new fast, high-resolution 4D imaging sequence for multi-arterial liver imaging. - StarVIBE is a motion insensitive VIBE sequence using a stack-of-stars trajectory. NOTE: This application package is contingent on the customer purchase of an EVOLVE Service contract for the scanner. Without an active EVOLVE Service Contract additional costs will be incurred for installation and activation of the application.
1	MR_QUIET	**Quiet Suite Application** MR_QUIET QUITE SUITE APPLICATION Quiet Suite enables complete, quiet examinations for neurology and orthopedics with at least 70% reduction in sound pressure levels. NOTE: This application package is contingent on the customer purchase of an EVOLVE Service contract for the scanner. Without an active EVOLVE Service Contract additional costs will be incurred for installation and activation of the application.
1	14430396	**Spine Dot Engine #T+D** The Spine Dot Engine provides optimized cervical, thoracic and lumbar spine imaging. Amongst various features to support streamlined spine workflow is Labeling of the vertebrae suggested by the system, Tim Planning Suite and In-line Composing. syngo WARP with View Angle Tilting (VAT) technique is provided for reducing in-plane geometric distortions syngo WARP can be used throughout the body.
1	14401554	**Inline Perfusion #3T** Automatic real-time calculation of Global Bolus Plot (GBP), Percentage of Baseline at Peak map (PBP), and Time-to-Peak map (TTP) with Inline technology.
1	14418563	**Neuro Perfusion Evaluation,USA #T+D** Neuro Perfusion Evaluation syngo provides a task card for detailed post-processing of brain perfusion data sets. Color display of the relative Mean Transit Time (relMTT), relative Cerebral Blood Volume (relCBV), corrected rel CBV, and relative Cerebral Blood Flow (relCBF) is supported. Flexible selection of the Arterial Input Function (AIF). Furthermore a calculation of maps using the pre-selected local Arterial Input Functions (AIF) is provided. The detailed evaluation of brain perfusion data sets generates parameter maps for TTP and PBP and for the hemodynamic parameters relMTT, relCBV, rel CBVcor and relCBF.
1	14416945	**Neuro fMRI/DTI Combi Package #T+D** The Neuro fMRI/DTI Combi Package is a bundle of: - Inline BOLD Imaging - 3D PACE syngo - BOLD 3D Evaluation syngo - fMRI Trigger Converter - Diffusion Tensor Imaging - DTI Evaluation - DTI Tractography syngo The bundle comprehends all acquisition and postprocessing tools for comprehensive BOLD fMRI and DTI exams. BOLD fMRI experiments can be displayed fused with DTI data and anatomy. The package is particularly valuable for presurgical planning. The 3D display of anatomical images, functional brain mapping results and DTI allows a better understanding of the spatial relationship between eloquent cortices, cortical landmarks, brain lesions and tract shifts of white matter.
1	14430391	**RESOLVE #T+D** RESOLVE is a diffusion-weighted, readout segmented EPI sequence optimized towards high resolution imaging with reduced distortions. The sequence uses a very short echospacing compared to single-shot EPI, substantially reducing susceptibility effects. A 2D-navigator correction is applied to avoid artefactsartifacts due to motion-induced phase errors. This combination allows diffusion weighted imaging of the breast, prostate, brain and spinewhole body with a high level of detail and spatial precision.
1	14416965	**Arterial Spin Labeling 3D #T+D** ASL is a non contrast enhanced brain perfusion technique. A 3D volume is acquired with high SNR by using a turbo gradient spin echo technique and an ASL preparation module to achieve clinically feasible scan times.

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Qty	Part No.	Item Description
1	14402527	**SWI #Tim** Susceptibility Weighted Imaging is a high-resolution 3D imaging technique for the brain with ultra-high sensitivity for microscopic magnetic field inhomogeneities caused by deoxygenated blood, products of blood decomposition and microscopic iron deposits. Among other things, the method allows for the highly sensitive proof of cerebral hemorrhages and the high-resolution display of venous cerebral blood vessels.
1	14416908	**Tim Whole Body Suite #T+D** Tim Whole Body Suite puts it all together. This suite enables table movement for imaging of up to 205 cm (6' 9") FoV without compromise. In combination with Tim's newly designed ultra highdensity array higher spatial and temporal resolution can be achieved along with unmachted flexibility of any coverage up to Whole Body. For faster exams and greater diagnostic confidence.
1	14405328	**TWIST syngo #Tim** This package contains a Siemens unique sequence and protocols for time-resolved (4D) MR angiographic and dynamic imaging in general with high spatial and temporal resolution. syngo TWIST supports comprehensive dynamic MR angio exams in all body regions. It offers temporal information of vessel filling in addition to conventional static MR angiography, which can be beneficial in detecting or evaluating malformations such as shunts. In case of general dynamic imaging, for example an increase in spatial resolution by a factor of up to 2 at 60 seconds temporal resolution (compared to conventional dynamic imaging) is possible due to intelligent k-space sampling strategies. Alternatively, increased temporal resolution at constant spatial resolution is possible.
1	14416959	**Shoulder 16 Coil Kit #Sk** The new Tim 4G coil technology with Dual Density Signal Transfer and SlideConnect Technolgy combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility. The Shoulder 16 Coil Kit for examinations of the left or right shoulder consists of a base plate and two different sized iPAT compatible 16 channel coils (Shoulder Large 16 and Shoulder Small 16). These will be attached and can be relocated on the base plate.The 16-element coils with 16 integrated pre-amplifiers ensure maximimum signal-to-noise ratio. Shoulder Large 16 and Shoulder Small 16 will be connected via a SlideConnect plug for fast and easy coil set-up and patient preparation.
1	14418513	**Hand/Wrist 16 #Sk** The new Tim 4G coil technology with Dual Density Signal Transfer and SlideConnect Technology combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility. Hand/Wrist 16 for examinations of the left or right hand and wrist region consists of a base plate and an iPAT compatible 16-channel coil and allows high resolution imaging of the wrist and the hand within one examination. Hand/Wrist 16 will be connected via a SlideConnect plug for fast and easy patient preparation.
1	14418514	**Foot/Ankle 16 #Sk** The new Tim 4G coil technology with Dual Density Signal Transfer and DirectConnect Technolgy combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility. Foot/Ankle 16 for examinations of the left or right foot and ankle region consists of a base plate and an iPAT compatible 16-channel coil and allows high resolution imaging of the foot and ankle within one examination. Foot/Ankle 16 is a cable-less coil and will be connected via DirectConnect for fast and easy patient preparation.
1	14430404	**Tx/Rx 15-channel Knee Coil DDST #Sk** New 15-channel transmitter/receiver coil for joint examinations in the area of the lower extremities. Main features : - 15-element design (3x5 coil elements) with 15 integrated preamplifiers. - iPAT-compatible - SlideConnect Technology
1	14418511	**Body 18 #Sk** The Tim 4G coil technology with Dual Density Signal Transfer and SlideConnect Technolgy combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility: - 18 channels (inherent) or up to 30 (in combination with the Spine 32) - Dual Density Signal Transfer - Ultra light-weight - SlideConnect Technology The Body 18 is part of the standard configuration. The 18-channel coil with its 18 intergrated pre-amplifiers ensures excellent signal-to-noise ratio. The 18 coil elements provide extensive coverage in all directions. The single SlideConnect plug allows for fast and easy patient preparation. The light-weight coil ensures highest patient comfort. The Body 18 Coil features: - 18-element design with 18 integrated preamplifiers (3 clusters of 6 elements each) - Operates in an integrated fashion with the Spine 32 as an 30 channel body coil - Can be combined with further Body 18 coils for larger coverage - Can be positioned in different orientations (0°, 90°, 180°, 270°) for patient specific adaptations - No coil tuning - iPAT compatible in all directions The highly flexible design enables a wide variety of applications including: - Thorax (incl. heart) - Abdomen - Pelvis - Hip Typically combined with: - Head / Neck 20 - Spine 32 - Additional Body 18 coil(s) (optional) - Peripheral Angio 36 (optional) - Flex Large 4 - Flex Small 4 - Loop 3T coils (optional) - Endorectal coil (optional)

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Qty	Part No.	Item Description
1	14418519	**Tim Coil Interface 3T** Coil adapter plug for up to 8 receive and 1 transmit channels, in order to connect existing dedicated knee and breast coils (Tx/ Rx 15-channel Knee Coil, CP Extremity Coil, 4-channel BI Breast Coil, 16-channel AI Breast Coil, 2/4/8-channel Sentinelle BreastCoil and (2/10)/16-channel Sentinelle BreastCoil) with all MAGNETOM 3T Systems using Tim 4G-technology.
1	14407258	**MR Workplace Table 1.2m** Table suited for syngo Acquisition Workplace and syngo MR Workplace based on syngo Hardware.
1	14407261	**MR Workplace Container, 50cm** 50 cm wide extra case for the syngo host computer with sliding front door to allow change of storage media (CD/DVD/USB).
1	08857828	**UPS Cable #Tim** Power cable for connecting the UPS Powerware PW 9130-3000i (14413662) to the ACC of MAGNETOM Tim and MAGNETOM Tim+Dot systems for backing up the computer. Standard cable length: 9 m.
1	14413662	**UPS Powerware PW9130G-3000T-XLEU** UPS system Eaton PW9130G-3000T-XLEU for MAGNETOM Tim, MAGNETOM Tim+Dot and MAGNETOM Symphony systems for safeguarding computers. Power output: 3.0 kVA / 2.7 kW Bridge time: 5 min full load / 14 min half load Input voltage: 230 VAC
1	14413663	**UPS Battery module** UPS battery module Eaton PW 9130N-3000T-EBM for all MAGNETOM Tim, MAGNETOM Tim+Dot and MAGNETOM Symphony systems for safeguarding computers. Extension for: PW9130i-3000T Battery type: Closed, maintenance-free Extension of the bridge time to: 24 minutes with a module Dimensions (H x W x D): Battery module: 346 x 214 x 412 mm incl. bracket set Weight: approx. 50 kg
1	MR_STD_RIG_INST	**MR Standard Rigging and Installation** MR Standard Rigging and Installation This quotation includes standard rigging and installation of your new MAGNETOM system Standard rigging into a room on ground floor level of the building during standard working hours (Mon. - Fri./ 8 a.m. to 5 p.m.) It remains the responsibility of the Customer to prepare the room in accordance with the SIEMENS planning documents Any rigging requiring a crane over 80 tons and/or special site requirements (e.g. removal of existing systems, etc.) is an incremental cost and the responsibility of the Customer. All other "out of scope" charges (not covered by the standard rigging and installation) will be identified during the site assessment and remain the responsibility of the Customer.
1	MR_BTL_INST ALL	**MR Standard Rigging & Install**
1	MR_ADDL_RIGGING	**Additional Rigging MR $15,315**
1	MR_PREINST_DOCK	**T+D Preinstall kit for dockable table**
1	MR_CRYO	**Standard Cryogens**
1	MR_PM	**MR Project Management** A Siemens Project Manager (PM) will be the single point of contact for the implementation of your Siemen's equipment. The assigned PM will work with the customer's facilities management, architect or building contractor to assist you in ensuring that your site is ready for installation. Your PM will provide initial and final drawings and will coordinate the scheduling of the equipment, installation, and rigging, as well as the initiation of on-site clinical education.
1	MR_INITIAL_32	**Initial onsite training 32 hrs** MR_INITIAL_32 Up to (32) hours of on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Training will cover agenda items on the ASRT approved checklist. Uptime Clinical Education phone support is provided during the warranty period for specified posted hours. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.

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Qty	Part No.	Item Description
1	MR_FOLLOWUP_32	**Follow-up training 32 hrs** Up to (32) hours of follow-up on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Uptime Clinical Education phone support is provided during the warranty period for specified posted hours. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	MR_INT_DOT_BCLS	**MR Dot Training Class** Tuition for (1) imaging professional to attend Classroom Course at Siemens Training Center. The objectives of this class are to introduce the user interface of the common syngo platform, including Dot, and instructions on building protocols, demonstration of software functions, and hands-on sessions. This class includes lunch, economy airfare, and lodging for (1) imaging professional. All arrangements must be arranged through Siemens designated travel agency. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	MR_ADD_32	**Additional onsite training 32 hours** Up to (32) hours of on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Training will cover agenda items on the ASRT approved checklist if applicable.This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	KKTECOMR_60	**KKT ECOCHILLER 133L** The KKT ECO 133 -L chiller is a dedicated 20°C cooling system for MAGNETOM Aera and MAGNETOM Skyra which automatically adapts to the different cooling requirements (e.g. system in operation, standby, ...) to reduce the energy consumption for cooling. The cooling system must be used in combination with the IFP (Interface Panel), if there is no on-site chilled water supply at all. The IFP is included in the scope of supply.
1	CHILINST_AVT	**Chiller Start-up and Warranty for TIM**
1	MRLOC_SPINEDOT	**Local Offset - Spine Dot Engine**
1	MR_PR_DOTENG1	**Dot Engine 1 pricing offset** To be eligible for this promotion, a binding purchase order of the application(s) must be received by Siemens Medical on or before September 30, 2014.

System Total: **$1,611,686**

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OPTIONS on Quote Nr: **1-A9VBQI Rev. 2**

OPTIONS for MAGNETOM Skyra

All items listed below are OPTIONs and will be included on this system ONLY if initialed:

Qty	Part No.	Item Description	Extended Price	Initial to Accept
1	14430401	**TimTX TrueShape, syngo ZOOMit #Sk** Path to TimTX TrueShape and syngo ZOOMit for MAGNETOM Skyra.	+ $41,400	X_____
1	14436740	**syngo BreVis Biopsy #T +D** syngo BreVis Biopsy is a task card for easy and effective breast biopsy planning for the Acquisition Workplace (AWP).	+ $20,700	X_____

FINANCING: The equipment listed above may be financed through Siemens. Ask us about our full range of financial products that can be tailored to meet your business and cash flow requirements. For further information, please contact your local Sales Representative.

ACCESSORIES: Don't forget to ask us about our line of OEM imaging accessories to complete your purchase. All accessories can be purchased or financed as part of this order. To purchase accessories directly or to receive our accessories catalog, please call us directly at 1-888-222-9944 or contact your local Sales Representative.

COMPLIANCE: Compliance with legal and internal regulations is an integral part of all business processes at Siemens. Possible infringements can be reported to our Helpdesk "Tell us" function at www.siemens.com/tell-us.

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Siemens Medical Solutions USA, Inc. General Terms and Conditions

1. GENERAL

1.1 Contract Terms. These terms and conditions constitute an integral part of any contract between Seller and Purchaser identified on the first page hereof and shall govern the sale of the products identified in such contract ("Products"). Seller shall not be bound by, and specifically objects to, any terms, conditions or other provisions which are different from or in addition to the provisions of this Agreement (even if provided to Seller concurrently with this Agreement), unless Seller specifically agrees to any such provision in a writing signed by Seller. Neither Seller's lack of objection to any such terms, nor delivery of the Products or provision of any services hereunder, shall constitute the agreement of Seller to any such terms. Purchaser acknowledges that this is a commercial and not a consumer transaction

1.2 Acceptance. Purchaser shall be deemed to have assented to, and to have waived any objection to, this Agreement upon the earliest to occur of any of the following: Purchaser's completion or execution of this Agreement; Purchaser's acceptance of all or any part of the Products; Purchaser's issuance of a purchase order for any Products identified on Seller's quotation or proposal; or delivery of the Products to the common carrier for shipment pursuant hereto.

1.3 Refurbished/Used Products. For Products identified on this Agreement as used or refurbished Products, these Products have been previously owned and used. When delivered to Purchaser, the Products may have received mechanical, electrical and/or cosmetic reconditioning, as needed, and will comply with the manufacturer's specifications. Since pre-owned Products may be offered simultaneously to several customers, the sale of such Products to Purchaser cannot be guaranteed and is subject to continuing availability at the time Purchaser accepts Seller's offer to sell the Products. If the Products are no longer available, Seller will use its best efforts to identify other products in its inventory that may be suitable for purchase by Purchaser, and if substitute products are not acceptable to Purchaser, then Seller will cancel the order and refund to Purchaser any deposits previously paid. The warranty period for any used or refurbished Products will be separately stated on the quotation.

1.4 Third Party Products. If this Agreement includes the sale of third party products not manufactured by Seller, then Purchaser agrees and acknowledges that (a) Purchaser has made the selection of these products on its own, (b) the products are being acquired by Seller solely at the request of and for the benefit of Purchaser, in order to eliminate the need for Purchaser to issue a separate purchase order to the manufacturer of the products, (c) no representation, warranty or guarantee has been made by Seller with respect to the products, (d) the obligation of Purchaser to pay Seller for the products is absolute and unconditional, (e) Purchaser will indemnify and hold Seller harmless from and against any and all claims, regardless of the form of action, related to, resulting from or caused by the products or any work or service provided by the manufacturer of the products or any other party, (f) use of the products may be subject to Purchaser's agreement to comply with any software licensing terms imposed by the manufacturer, as well as any applicable laws, rule and regulations, and (g) the manufacturer, and not Seller, is solely responsible for any required installation, testing, validation, tracking, product recall, warranty service, maintenance, support, and complaint handling, as well as any other applicable FDA regulatory requirements, and the Purchaser will look solely to the manufacturer regarding these services and will assert no claim against Seller with respect to these products.

2. PRICES

2.1 Quotations. Unless otherwise agreed to in writing or set forth in the quotation, all prices quoted by Seller are based on U.S. dollars, and include standard and customary packaging. F.O.B. terms are set forth in Section 6.2 hereof. Domestic prices apply only to purchasers located in, and who will use the Products in, the U.S. International prices apply to all purchasers located outside of, or who will use or ship or facilitate shipment of the Products outside of, the U.S. Unless otherwise stated, the quotation shall only be valid for forty-five (45) days from the date of the quotation.

2.2 Delay in Acceptance of Delivery. Should the agreed delivery date be postponed by Purchaser, Seller shall have the right to deliver the Products to storage at Purchaser's risk and expense, and payments due upon delivery shall become due when Seller is ready to deliver.

2.3 Escalation. Unless otherwise agreed to in writing, except as to Products to be delivered within six (6) months of Seller's acceptance of Purchaser's order, Seller reserves the right to increase its prices to those in effect at the time of shipment.

3. TAXES

3.1 Any sales, use or manufacturer's tax which may be imposed upon the sale or use of Products, or any property tax levied after readiness to ship, or any excise tax, license or similar fee required under this transaction, shall be in addition to the quoted prices and shall be paid by Purchaser. Notwithstanding the foregoing, Seller agrees to honor any valid exemption certificate provided by Purchaser.

4. TERMS OF PAYMENT; DEFAULT

4.1 Payments; Due Date. Unless otherwise set forth in the quotation, Seller's payment terms are as follows: an initial deposit of 10% of the purchase price for each Product is due upon submission of the purchase order, an additional 80% of the purchase price is due upon delivery of each Product, and the final 10% of the purchase price is due upon completion of installation or when the Products are available for first patient use, whichever occurs first. Unless otherwise agreed, all payments other than the initial deposit are due net thirty (30) days from the date of invoice. Seller shall have no obligation to complete installation until the payment due upon delivery is received. All amounts payable pursuant to this Agreement are denominated in United States dollars, and Purchaser shall pay all such amount in lawful money of the United States. Partial shipments shall be billed as made, and payments for such shipments will be made in accordance with the foregoing payment terms.

4.2 Late Payment. A service charge of 1½% per month, not to exceed the maximum rate allowed by law, shall be made on any portion of Purchaser's outstanding balance which is not paid within thirty (30) days after invoice date, which charge shall be determined and compounded on a daily basis from the due date until the date paid. Payment of such service charge shall not excuse or cure Purchaser's breach or default for late payment.

4.3 Payment of Lesser Amount. If Purchaser pays, or Seller otherwise receives, a lesser amount than the full amount provided for under this Agreement, such payment or receipt shall not constitute or be construed other than as on account of the earliest amount due Seller. Seller may accept any check or payment in any amount without prejudice to Seller's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying a check or payment or elsewhere shall constitute or be construed as an accord or satisfaction.

4.4 Where Payment Due Upon Installation or Completion. Should any terms of payment provide for either full or partial payment upon completion of installation or thereafter, and completion of installation is delayed for any reason for which Seller is not responsible, then the Products shall be deemed installed upon delivery and the balance of payments shall be due no later than thirty (30) days from the delivery date regardless of the actual installation date.

4.5 Default; Termination. Each of the following shall constitute an event of default under this Agreement: (i) a failure by Purchaser to make any payment due Seller within ten (10) days of receipt of written notice of non-payment from Seller; (ii) a failure by Purchaser to perform any other obligation under this Agreement within thirty (30) days of receipt of written notice from Seller; (iii) a default by Purchaser under any other obligation to or agreement with Seller or Siemens Financial Services, Inc., or any assignee of the foregoing (e.g., a promissory note, lease, rental agreement, license agreement or purchase contract); or (iv) the commencement of any insolvency, bankruptcy or similar proceedings by or against Purchaser (including any assignment by Purchaser for the benefit of creditors). Upon the occurrence of any event of default, at Seller's election: (a) the entire amount of any indebtedness and obligation due Seller under this Agreement and interest thereon shall become immediately due and payable without notice, demand, or period of grace, (b) Seller may suspend the performance of any of Seller's obligations hereunder, including, but not limited to, obligations relating to delivery, installation and warranty services; (c) Purchaser shall put Seller in possession of the Products upon demand; (d) Seller may enter any premises where the Products are located and take possession of the Products without notice or demand and without legal proceedings, (e) at the request of Seller, Purchaser shall assemble the Products and make them available to Seller at a place designated by Seller which is reasonable and convenient to all parties; (f) Seller may sell or otherwise dispose of all or any part of the Products and apply the proceeds thereof against any indebtedness or obligation of Purchaser under this Agreement (Purchaser agrees that a period of 10 days from the time notice is sent to Purchaser shall be a reasonable period of notification of sale or other disposition of the Products by or for Seller); (g) if this Agreement or any indebtedness or obligation of Purchaser under this Agreement is referred to an attorney for collection or realization, Purchaser shall pay to Seller all costs of collection and realization (including, without limitation, a reasonable sum for attorneys' fees, expenses of title search, all court costs and other legal expenses) incurred thereby; and (h) Purchaser shall pay any deficiency remaining after collection of or realization by Seller on the Products. In addition, Seller may terminate this Agreement upon written notice to Purchaser

in the event that Purchaser is not approved for credit or upon the occurrence of any material adverse change in the financial condition or business operations of Purchaser.

4.6 Financing. Notwithstanding any arrangement that Purchaser may make for the financing of the purchase price of the Products, the parties agree that any such financing arrangement shall have no effect on the Purchaser's payment obligations under this Agreement, including but not limited to Sections 4.1 and 4.2 above.

5. EXPORT TERMS

5.1 Unless other arrangements have been made, payment on export orders shall be made by irrevocable confirmed letter of credit, payable in U.S. dollars against Seller's invoice and standard shipping documents. Such letter of credit shall be in an amount equal to the full purchase price of the Products and shall be established in a U.S. bank acceptable to Seller. Purchaser shall procure all necessary permits and licenses for shipment and compliance with any governmental regulations concerning control of final destination of Products.

5.2 Purchaser acknowledges that Seller is required to comply with applicable export laws and regulations relating to the sale, exportation, transfer, assignment, disposal and usage of the Products provided under this Agreement, including any export license requirements. Purchaser agrees that such Products shall not at any time directly or indirectly be used, exported, sold, transferred, assigned or otherwise disposed of in a manner which will result in non-compliance with such applicable export laws and regulations. It shall be a condition of the continuing performance by Seller of its obligations hereunder that compliance with such export laws and regulations be maintained at all times. **PURCHASER AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM ANY AND ALL COSTS, LIABILITIES, PENALTIES, SANCTIONS AND FINES RELATED TO NON-COMPLIANCE WITH APPLICABLE EXPORT LAWS AND REGULATIONS.** If Purchaser purchases a Product at the domestic price and exports such Product, or transfers such Product to a third party for export, outside of the U.S., Purchaser shall pay to Seller the difference between the domestic price and the international retail price of such Product pursuant to the payment terms set forth herein. Purchaser shall deliver to Seller, upon Seller's request, written assurance regarding compliance with this section in form and content acceptable to Seller.

6. DELIVERY, RISK OF LOSS

6.1 Delivery Date. Delivery and installation dates will be established by mutual agreement of the parties. Seller shall make every reasonable effort to meet the agreed upon delivery date(s), but shall not be liable for any failure to meet such date(s). Partial shipments may be made.

6.2 Risk of Loss; Title Transfer. Unless otherwise agreed to in writing, the following shall apply:

(a) For Products that do not require installation by Seller, and for options and add-on products purchased subsequent to delivery and installation of Products purchased under this Agreement, delivery shall be complete upon transfer of possession to common carrier, F.O.B. Shipping Point, whereupon title to and all risk of loss, damage to or destruction of the Products shall pass to Purchaser.

(b) For Products that require installation by Seller, delivery shall be complete upon delivery of the Products to Purchaser's designated site, F.O.B. Destination; title to and all risk of loss, damage to or destruction of such Products shall pass to Purchaser upon completion of the installation.

(c) All freight charges and other transportation, packing and insurance costs, license fees, custom duties and other similar charges shall be the sole responsibility of Purchaser unless included in the purchase price or otherwise agreed to in writing by Seller. In the event of any loss or damage to any of the Products during shipment, Seller and Purchaser shall cooperate in making a claim against the carrier.

7. SECURITY INTEREST/FILING

7.1 Purchaser grants to Seller a security interest in the Products (and all accessories and replacements thereto and all proceeds thereof) until payment in full by Purchaser and satisfaction of all other obligations of Purchaser hereunder. Purchaser hereby (i) authorizes Seller to file (and Purchaser shall promptly execute, if requested by Seller) and (ii) irrevocably appoints Seller its agent and attorney-in-fact to execute in the name of Purchaser and file, with such authorities and at such locations as Seller may deem appropriate, any Uniform Commercial Code financing statements with respect to the Products and/or this Agreement. Purchaser further represents and covenants that (a) it will keep the Products in good order and repair until the purchase price has been paid in full, (b) it will promptly pay all taxes and assessments upon the Products or the use thereof, (c) it will not attempt to transfer any interest in the Products until the purchase price has been paid in full, and (d) it is solvent and financially capable of paying the full purchase price for the Products.

8. CHANGES, CANCELLATION, AND RETURN

8.1 Orders accepted by Seller are not subject to change except upon Seller's written agreement.

8.2 Orders accepted by Seller are noncancellable by Purchaser except upon Seller's written consent and payment by Purchaser of a cancellation charge equal to 10% of the price of the affected Products, plus any shipping, insurance, inspection and refurbishment charges; the cost of providing any training, education, site evaluation or other services completed by Seller; and any return, cancellation or restocking fees with respect to any Third Party Products ordered by Seller on behalf of Purchaser. Seller may retain any payments received from Purchaser up to the amount of the cancellation charge. In no event can an order be cancelled by Purchaser or Products be returned to Seller after shipment.

8.3 Seller shall have the right to change the manufacture and/or design of its Products if, in the judgment of Seller, such change does not alter the general function of the Products.

9. FORCE MAJEURE

9.1 Seller shall not be liable for any loss or damage for delay in delivery, inability to install or any other failure to perform due to causes beyond its reasonable control including, but not limited to, acts of government or compliance with any governmental rules or regulations, acts of God or the public, war, civil commotion, blockades, embargoes, calamities, floods, fires, earthquakes, explosions, storms, strikes, lockouts, labor disputes, or unavailability of labor, raw materials, power or supplies. Should such a delay occur, Seller may reasonably extend delivery or production schedules or, at its option, cancel the order in whole or part without liability other than to return any unearned deposit or prepayment.

10. WARRANTY

10.1 Seller warrants that the Products manufactured by Seller and sold hereunder shall be free from defects in material or workmanship under normal use and service for the warranty period. The final assembled Products shall be new although they may include certain used, reworked or refurbished parts and components (e.g., circuit boards) that comply with performance and reliability specifications and controls. Seller's obligation under this warranty is limited, at Seller's option, to the repair or replacement of the Product or any part thereof. Unless otherwise set forth in the Product Warranty attached hereto and incorporated herein by reference, the warranty period shall commence upon the earlier of the date that the Products have been installed in accordance with Section 12.6 hereof (which date shall be confirmed in writing by Seller) or first patient use, and shall continue for 12 consecutive months. Seller makes no warranty for any Products made by persons other than Seller or its affiliates, and Purchaser's sole warranty therefor, if any, is the original manufacturer's warranty, which Seller agrees to pass on to Purchaser, as applicable. The warranty provided by Seller under this Section 10 extends only to the original Purchaser, unless the Purchaser obtains the Seller's prior written consent with respect to any sale or other transfer of the Equipment during the term of the warranty.

10.2 No warranty extended by Seller shall apply to any Products which have been damaged by fire, accident, misuse, abuse, negligence, improper application or alteration or by a force majeure occurrence as described in Section 9 hereof or by the Purchaser's failure to operate the Products in accordance with the manufacturer's instructions or to maintain the recommended operating environment and line conditions; which are defective due to unauthorized attempts to repair, relocate, maintain, service, add to or modify the Products by the Purchaser or any third party or due to the attachment and/or use of non-Seller supplied parts, equipment or software without Seller's prior written approval; which failed due to causes from within non-Seller supplied equipment, parts or software including, but not limited to, problems with the Purchaser's network; or which have been damaged from the use of operating supplies or consumable parts not approved by Seller. In addition, there is no warranty coverage for any transducer or probe failure due to events such as cracking from high impact drops, cable rupture from rolling equipment over the cable, delamination from cleaning with inappropriate solutions, or TEE bite marks. Seller's obligation under this warranty is limited to the repair or replacement, at Seller's option, of defective parts. Seller may effectuate such repair at Purchaser's facility, and Purchaser shall furnish Seller safe and sufficient access for such repair. Repair or replacement may be with parts or products that are new, used or refurbished. Repairs or replacements shall not interrupt, extend or prolong the term of the warranty. Purchaser shall, upon Seller's request, return the noncomplying Product or part to Seller with all transportation charges prepaid, but shall not return any Product or part to Seller without Seller's prior written authorization. Purchaser shall pay Seller its normal charges for service and parts for any inspection, repair or replacement that falls outside the warranty set forth in Section 10.1. Seller's warranty does not apply to consumable materials, disposables, supplies, accessories and collateral equipment, except as specifically stated in writing or as otherwise set

forth in the Product Warranty attached hereto and incorporated herein by reference, nor to products or parts thereof supplied by Purchaser.

10.3 This warranty is made on condition that immediate written notice of any noncompliance be given to Seller and Seller's inspection reveals that Purchaser's claim is covered under the terms of the warranty (i.e., that the noncompliance is due to traceable defects in original materials and/or workmanship).

10.4 Purchaser shall provide Seller with both on-site and remote access to the Products. The remote access shall be provided through the Purchaser's network as is reasonably necessary for Seller to provide warranty services under this Agreement. Remote access will be established through a broadband Internet-based connection to either a Purchaser owned or Seller provided secure end-point. The method of connection will be a Peer-to-Peer VPN IPsec tunnel (non-client based) with specific inbound and outbound port requirements.

10.5 Warranty service will be provided without charge during Seller's regular working hours (8:30-5:00), Monday through Friday, except Seller's recognized holidays. If Purchaser requires that service be performed outside these hours, such service can be made available at an additional charge, at Seller's then current rates. The obligations of Seller described in this section are Seller's only obligations and Purchaser's sole and exclusive remedy for a breach of product warranty.

10.6 SELLER MAKES NO WARRANTY OTHER THAN THE ONE SET FORTH HEREIN AND IN THE ATTACHED PRODUCT WARRANTY COVERING THE APPLICABLE PRODUCT CATEGORY. SUCH WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSES, AND SUCH CONSTITUTES THE ONLY WARRANTY MADE WITH RESPECT TO THE PRODUCTS AND ANY DEFECT, DEFICIENCY OR NONCONFORMITY IN ANY PRODUCT, SERVICE OR OTHER ITEM FURNISHED UNDER THIS AGREEMENT.

10.7 In the event of any inconsistencies between the terms of this Section 10 and the terms of the attached Product Warranty, the terms of the attached Product Warranty shall prevail.

11. LIMITATION OF LIABILITY

11.1 In no event shall Seller's liability hereunder exceed the actual loss or damage sustained by Purchaser, up to the purchase price of the Products. The foregoing limitation of liability shall not apply to claims for bodily injury or damages to real property or tangible personal property to the extent arising from Seller's negligence or a product defect.

11.2 SELLER SHALL NOT BE LIABLE FOR ANY LOSS OF USE, REVENUE OR ANTICIPATED PROFITS; COST OF SUBSTITUTE PRODUCTS OR SERVICES; LOSS OF STORED, TRANSMITTED OR RECORDED DATA; OR FOR ANY INDIRECT, INCIDENTAL, UNFORESEEN, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR ANY OTHER THEORY OR FORM OF ACTION, EVEN IF SELLER HAS BEEN ADVISED OF THE POSSIBILITY THEREOF, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SALE OR USE OF THE PRODUCTS. THE FOREGOING IS A SEPARATE, ESSENTIAL TERM OF THIS AGREEMENT AND SHALL BE EFFECTIVE UPON THE FAILURE OF ANY REMEDY, EXCLUSIVE OR NOT.

12. INSTALLATION - ADDITIONAL CHARGES

12.1 General. Unless otherwise expressly stipulated in writing, the Products covered hereby shall be installed by and at the expense of Seller except that Seller shall not provide rigging or site preparation services unless otherwise agreed to in writing by Seller for an additional charge. Seller will not install accessory items such as cabinets, illuminators, darkroom equipment or processors for X-Ray and CT equipment, unless otherwise agreed to in writing by Seller.

12.2 Installation by Seller. If Seller specifies it will install the Products, the following applies: subject to fulfillment of the obligations set forth in Section 12.4 below, Seller shall install the Products and connect them to the requisite safety switches and power lines to be installed by Purchaser. Except as otherwise specified below, if such installation and connection are performed by Seller's technical personnel, prices shown include the cost thereof, provided that the installation and connection can be performed within the Continental United States or Puerto Rico and during normal business hours. Any overtime charges or other special expenses shall be additional charges to the prices shown.

12.3 Trade Unions. In the event that a trade union, or unions, or other local labor conditions prevent Seller from performing the above work with its own employees or contractors, then Purchaser shall either make all required arrangements with the trade union, or unions, to permit Seller to complete the work or shall provide the personnel, at Purchaser's sole cost and expense. Moreover, any additional cost incurred by Seller and related to such labor disputes shall be paid by the Purchaser and Seller's obligations under such circumstances will be limited to providing engineering supervision of installation and connection of the Products to existing wiring.

12.4 Purchaser's Obligations. Purchaser shall, at its expense, provide all proper and necessary labor and materials for plumbing service, carpentry work, conduit wiring, and other preparations required for such installation and connection. All such labor and materials shall be completed and available at the time of delivery of the Products by Seller. Additionally, Purchaser shall provide free access to the installation site and, if necessary, safe and secure space thereon for storage of Products and equipment prior to installation by Seller. Purchaser shall be responsible, at its sole cost and expense, for obtaining all permits, licenses and approvals required by any federal, state or local authorities in connection with the installation and operation of the Products, including but not limited to any certificate of need and zoning variances. Purchaser shall provide a suitable environment for the Products and shall ensure, at its sole cost and expense, that its premises are free of asbestos, hazardous conditions and any concealed, unknown or dangerous conditions and that all site requirements are met. Seller shall delay its work until Purchaser has completed the removal of any asbestos or other hazardous materials or has taken any other precautions and completed any other work required by applicable regulations. Purchaser shall reimburse Seller for any increased costs and expenses incurred by Seller that are the result of or are caused by any such delay. In the event that Seller is requested to supervise the installation of the Products, it remains the Purchaser's responsibility to comply with local regulations. Seller is not an architect and all drawings furnished by Seller are not construction drawings.

12.5 Regulatory Reporting. In the event that any regulatory activity is performed by anyone other than Seller's authorized personnel, then Purchaser shall be responsible for fulfilling any and all reporting requirements.

12.6 Completion of Installation. Installation shall be complete upon the conclusion of final calibration and checkout under Seller's standard procedures to verify that the Products meet applicable written performance specifications. Notwithstanding the foregoing, first use of the Products by Purchaser, its agents or employees for any purpose after delivery shall constitute completion of installation.

13. PATENT, COPYRIGHT AND OTHER INFRINGEMENT CLAIMS

13.1 Infringement by Seller. Seller warrants that the Products manufactured by Seller and sold hereunder do not infringe any U.S. patent or copyright. If Purchaser receives a claim that any such Products, or parts thereof, infringe upon the rights of others under any U.S. patent or copyright, Purchaser shall notify Seller immediately in writing. As to all infringement claims relating to Products or parts manufactured by Seller or one of its affiliates:

(a) Purchaser shall give Seller information, assistance and exclusive authority to evaluate, defend and settle such claims.

(b) Seller shall then, at its own expense, defend or settle such claims, procure for Purchaser the right to use the Products, or remove or modify them to avoid infringement. If none of these alternatives is available on terms reasonable to Seller, then Purchaser shall return the Products to Seller and Seller shall refund to Purchaser the purchase price paid by Purchaser less reasonable depreciation for Purchaser's use of the Products. The foregoing states Seller's entire obligation and liability, and Purchaser's sole remedy, for claims of infringement.

13.2 Infringement by Purchaser. If some or all of the Products sold hereunder are made by Seller pursuant to drawings or specifications furnished by Purchaser, or if Purchaser modifies or combines, operates or uses the Products other than as specified by Seller or with any product, data, software, apparatus or program not provided or approved by Seller, then the indemnity obligation of Seller under Section 13.1 shall be null and void and should a claim be made that such Products infringe the rights of any third party under patent, copyright or otherwise, then Purchaser shall indemnify, defend and hold Seller harmless against any liability or expense, including reasonable attorneys' fees, incurred by Seller in connection therewith.

14. DESIGNS AND TRADE SECRETS; LICENSE; CONFIDENTIALITY

14.1 Any drawings, data, designs, software programs or other technical information supplied by Seller to Purchaser in connection with the sale of the Products are not included in the sale of the Products to Purchaser, shall remain Seller's property and shall at all times be held in confidence by Purchaser. Such information shall not be reproduced or disclosed to others without Seller's prior written consent.

14.2 For all goods purchased hereunder which utilize software for their operation, such "Applications Software" shall be licensed to Purchaser under the terms of Seller's Software License Schedule attached hereto.

14.3 Diagnostic/Maintenance Software is not included under Section 14.2 above, is available only as a special option under a separate Diagnostic Materials License Agreement, and may be subject to a separate licensing fee.
14.4 Seller and Purchaser shall maintain the confidentiality of any information provided or disclosed to the other party relating to the business, customers and/or patients of the disclosing party, as well as this Agreement and its terms (including the pricing and other financial terms under which the Purchaser will be purchasing the Products). Each party shall use reasonable care to protect the confidentiality of the information disclosed, but no less than the degree of care it would use to protect its own confidential information, and shall only disclose the other party's confidential information to its employees and agents having a need to know this information. The obligations of confidentiality set forth herein shall not apply to any information in the public domain at the time of disclosure or that is required to be disclosed by court order or by law.

15. ENGINEERING CHANGES
15.1 Seller makes no representation that engineering changes which may be announced in the future will be suitable for use on, or in connection with, the Products.

16. ASSIGNMENT
16.1 Neither party may assign any rights or obligations under this Agreement without the prior written consent of the other and any attempt to do so shall be void, except that Seller may assign this Agreement without consent to any subsidiary or affiliated company, and may delegate to authorized subcontractors or service suppliers any work to be performed under this Agreement so long as Seller remains liable for the performance of its obligations under this Agreement. This Agreement shall inure to and be binding upon the parties and their respective successors, permitted assigns and legal representatives. Seller shall have no obligations under this Agreement to any assignee of Purchaser that is not approved by Seller in advance.

17. COSTS AND FEES
17.1 In the event that any dispute or difference is brought arising from or relating to this Agreement or the breach, termination or validity thereof, the prevailing party shall be entitled to recover from the other party all reasonable attorneys' fees incurred, together with such other expenses, costs and disbursements as may be allowed by law.

18. MODIFICATION
18.1 This Agreement may not be changed, modified or amended except in writing signed by duly authorized representatives of the parties.

19. GOVERNING LAW; WAIVER OF JURY TRIAL
19.1 This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.
19.2 EACH OF THE PARTIES EXPRESSLY WAIVES ALL RIGHTS TO A JURY TRIAL IN CONNECTION WITH ANY DISPUTE UNDER THIS AGREEMENT.

20. COST REPORTING
20.1 Purchaser agrees that it will fully and accurately account for and report in all cost reports and otherwise fully and accurately disclose to federal and state health care program payors and fully and accurately reflect where and as appropriate to the applicable reimbursement methodology, all services and other items, including any and all discounts, received from Seller under this Agreement, in compliance with all applicable laws, rules and regulations, including but not limited to the Social Security Act and implementing regulations relating to Medicare, Medicaid and other federal and state health care reimbursement programs.

21. INTEGRATION
21.1 These terms and conditions, including any attachments or other documents incorporated by reference herein, constitute the entire agreement and the complete and exclusive statement of agreement with respect to the subject matter hereof, and supersede any and all prior agreements, understandings and communications between the parties with respect to the Products.

22. SEVERABILITY; HEADINGS
22.1 No provision of this Agreement which may be deemed unenforceable will in any way invalidate any other portion or provision of this Agreement. Section headings are for convenience only and will have no substantive effect.

23. WAIVER
23.1 No failure and no delay in exercising, on the part of any party, any right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right preclude the further exercise of any other right.

24. NOTICES
24.1 Any notice or other communication under this Agreement shall be deemed properly given if given in writing and delivered in person or mailed, properly addressed and stamped with the required postage, to the intended recipient at its address specified on the face hereof. Either party may from time to time change such address by giving the other party notice of such change in accordance with this section.

25. RIGHTS CUMULATIVE
25.1 The rights and remedies afforded to Seller under this Agreement are in addition to, and do not in anyway limit, any other rights or remedies afforded to Seller by any other agreement, by law or otherwise.

26. END USER CERTIFICATION
26.1 Purchaser represents, warrants and covenants that it is acquiring the Products for its own end use and not for reselling, leasing or transferring to a third party (except for lease-back financings).

03/2012 Rev

SIEMENS
Siemens Medical Solutions USA, Inc.
51 Valley Stream Parkway, Malvern, PA 19355
Fax: (866) 309-6967

SIEMENS REPRESENTATIVE
Samuel Wilson - (865) 385-8514

Software License Schedule to the Siemens Medical Solutions USA, Inc. General Terms and Conditions

1. DEFINITIONS: The following definitions apply to this Schedule:
"Agreement" shall mean the attached (i) Quotation for Products and/or Services including the Terms and Conditions of Sale and applicable schedules; and/or (ii) Software License Agreement describing the software licensed herein and the specific system for which the license is issued.
"Licensor" shall mean Siemens Medical Solutions USA, Inc.
"Licensee" shall mean the end-user to whom Licensor provides Software or Documentation for its internal use under the Agreement.
"Software" shall mean the software described in the attached Agreement, including the following as contained therein: (i) software programs consisting of a series of statements or instructions to be used directly or indirectly in a programmable controller or computer to bring about a certain result and (ii) databases consisting of systemized collections of data to be used or referenced directly or indirectly by a programmed controller or computer. Notwithstanding the foregoing, "Software" does not include "firmware" as such term is conventionally understood. Diagnostic/Maintenance Software also is not included within the scope of the Software licensed under this Schedule, and is available only as a special option under a separate Diagnostic Materials License Agreement and may be subject to a separate licensing fee.
"Documentation" shall mean the documents and other supporting materials which are intended to support the use of an associated product, including (but not limited to) instructions, descriptions, flow charts, logic diagrams and listings of the Software, in text or graphic form, on machine readable or printed media.
"Designated Unit" shall mean a single control unit or computer identified on the first page of the Agreement, on which Software licensed hereunder may be used by Licensee.
2. SCOPE: The following terms and conditions shall apply to all Software and Documentation provided by Licensor to Licensee under the Agreement (whether included with other products listed in the Agreement or listed separately in the Agreement), together with any updates or revisions thereto which Licensor may provide to Licensee, and all copies thereof, except any Software and/or Documentation licensed directly by Licensor's supplier under a separate end-user license agreement accompanying the Software or the Documentation, in which case Licensee agrees to be bound by that license agreement as a condition to using the Software and/or Documentation. Except as expressly provided herein, and provided that in no event shall the warranties or other obligations of Licensor with respect to such Software or Documentation exceed those set forth in this Schedule, this Schedule shall be subject to the liability limitations and exclusions and other terms and conditions set forth in the Agreement. **ANY USE OF THE SOFTWARE, INCLUDING BUT NOT LIMITED TO USE ON THE DESIGNATED UNIT, WILL CONSTITUTE LICENSEE'S AGREEMENT TO THIS SOFTWARE LICENSE SCHEDULE (OR RATIFICATION OF ANY PREVIOUS CONSENT).**
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Revised 03/15/05

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SIEMENS REPRESENTATIVE
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TRADE-IN EQUIPMENT REQUIREMENTS

THE FOLLOWING APPLIES ONLY TO THE EXTENT THAT THE QUOTATION INCLUDES AN EQUIPMENT TRADE-IN. THESE REQUIREMENTS ARE IN ADDITION TO ANY OTHER REFERENCED TERMS AND CONDITIONS ON THE QUOTATION AND SHALL REMAIN IN EFFECT REGARDLESS OF ANY CONTRARY LANGUAGE IN THE QUOTATION.

This Quotation includes the trade-in equipment described herein and referenced by either the Project Number identified in the Quotation hereof (non-Ultrasound) or the Trade Allowance Part Number (Ultrasound) as further described in the associated Trade Sheet which is incorporated herein by reference. Purchaser certifies that the description of the trade-in equipment as set forth on the Trade Sheet is a true and accurate representation of the equipment, and that the equipment is in good working condition unless otherwise noted on the Trade Sheet.

The trade-in equipment must be made available for removal no later than turnover of the new equipment. Purchaser must vacate the room of all items not listed on the Trade Sheet, or otherwise clearly identify all items listed on the Trade Sheet, prior to the start of the de-installation. If this is not done, Seller will have no liability for items which are subsequently removed or scrapped. If the de-installation or return of the trade-in equipment is delayed by Purchaser for reasons other than a force majeure event, or if upon inspection by Seller it is determined that the equipment does not meet the manufacturer's operating specifications, or if any items listed as included on the Trade Sheet are not made available at the time of de-installation, then trade-in value will be re-evaluated and any loss in value or additional costs incurred by Seller shall be deducted from the established trade-in value and the pricing set forth on this Quotation will be adjusted by change order. In the event that access to the trade-in equipment is denied past 14 days post-turnover, then Purchaser shall pay to Seller a rental fee in the amount 10% of the total trade-in value plus any additional value provided by an Elevate/Promotional program included in this Quotation (no less than $1000) for each month, or part thereof, that access is denied. In addition, if the purchase and installation of the new equipment covered by this Quotation is not completed, then Seller shall invoice Purchaser for all costs and expenses incurred by Seller in connection with the de-installation and removal of the trade-in equipment, including but not limited to labor, materials, rigging out, and transportation, which costs shall be paid by Purchaser within thirty (30) days of the invoice date.

Purchaser further acknowledges and agrees that (i) the trade-in equipment will be free and clear of all liens and encumbrances including, but not limited to, unpaid leases and loans, and that upon request, it will execute a bill of sale or other documents reasonably satisfactory to Siemens to transfer title and ownership of the equipment to Seller, (ii) it is Purchaser's sole responsibility to delete all protected health information and any other confidential information from the equipment prior to de-installation, without damaging or cannibalizing the equipment or otherwise affecting the operation of the equipment in accordance with its specifications, (iii) the equipment, including all updates, upgrades, modifications, enhancements, revisions, software, S/W disks and manuals, shall be returned to Siemens in good operating condition, reasonable wear and tear excepted, and (iv) to the extent not prohibited by applicable law, Purchaser shall indemnify and hold Seller harmless from and against any and all claims, demands, causes of action, damages, liability, costs and expenses (including reasonable attorney's fees) resulting or arising from Purchaser's failure to comply with item (i) above.

FOR MR SYSTEMS: cryogen levels must be least 65% upon time of de-installation. FOR MOBILE SYSTEMS: system must be road worthy and a state issued title transferring ownership to Seller must be received by Seller prior to the removal of the mobile system. FOR MODALITY TRADE SYSTEMS (non-Ultrasound): The trade-in equipment must be available for inspection within two weeks of the scheduled de-installation date. In addition, Purchaser must provide a clear path for the removal of the trade-in equipment. Any additional costs due to the need to use a larger rig (other than a standard 80 ton rig), as well as any construction activities, street closings, permits, etc., required to de-install/remove the equipment are out-of-scope costs and will be the responsibility of Purchaser.

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MR Warranty Information

Product (New Systems and "Proven Excellence" Refurbished Systems Only)	Period of Warranty[1]	Coverage
MR System (not including consumables)	12 month	Full Warranty (parts & labor)
Post Warranty (after expiration of system warranty) – Replacement parts only!		
Magnet	12 month	Parts only
Spare Parts	6 month	Parts only
Consumables	Not Covered	

Note: Optional extended warranty coverage can be obtained by purchase of a service agreement.

[1] Period of warranty commences from the date of first use or completion of installation, whichever occurs first. In the event the completion of installation is delayed for reasons beyond Siemens' control, the stated warranty period shall commence 60 days after delivery of equipment.

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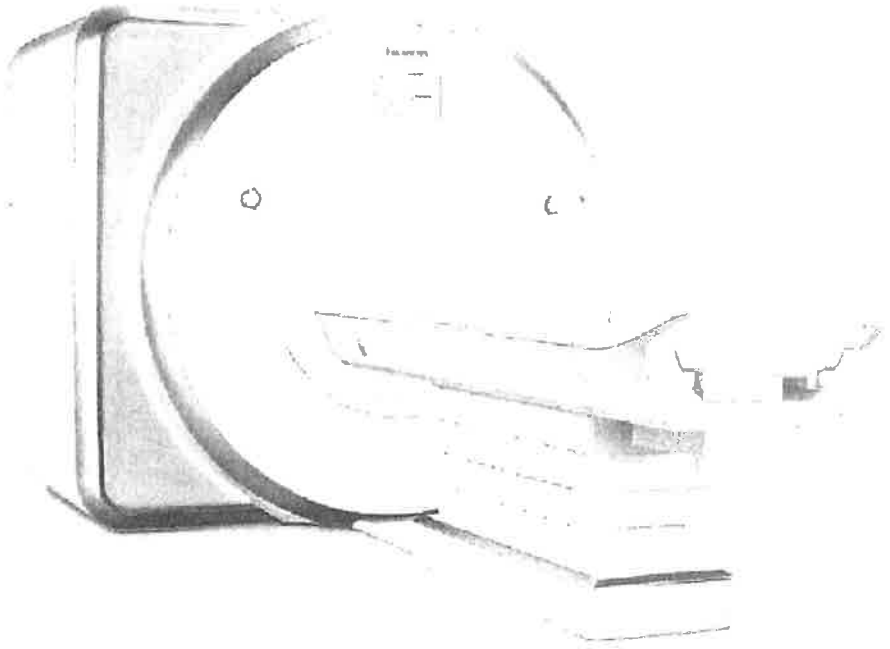
MAGNETOM SKYRA

TYPICAL ROOM PLAN — MR



The intended use for this Cut Sheet is to communicate the spatial requirements as well as the basic architectural, electrical, structural, and mechanical requirements for this piece of imaging equipment. The information provided in this document is for reference only, during the pre-planning stage, and therefore does not contain any site specific detailed requirements. This information is subject to change without notice. Federal, state and/or local requirements may impact the final placement of the components. It is the customer's responsibility to ensure that the final layout and placement of the equipment complies with all applicable requirements.

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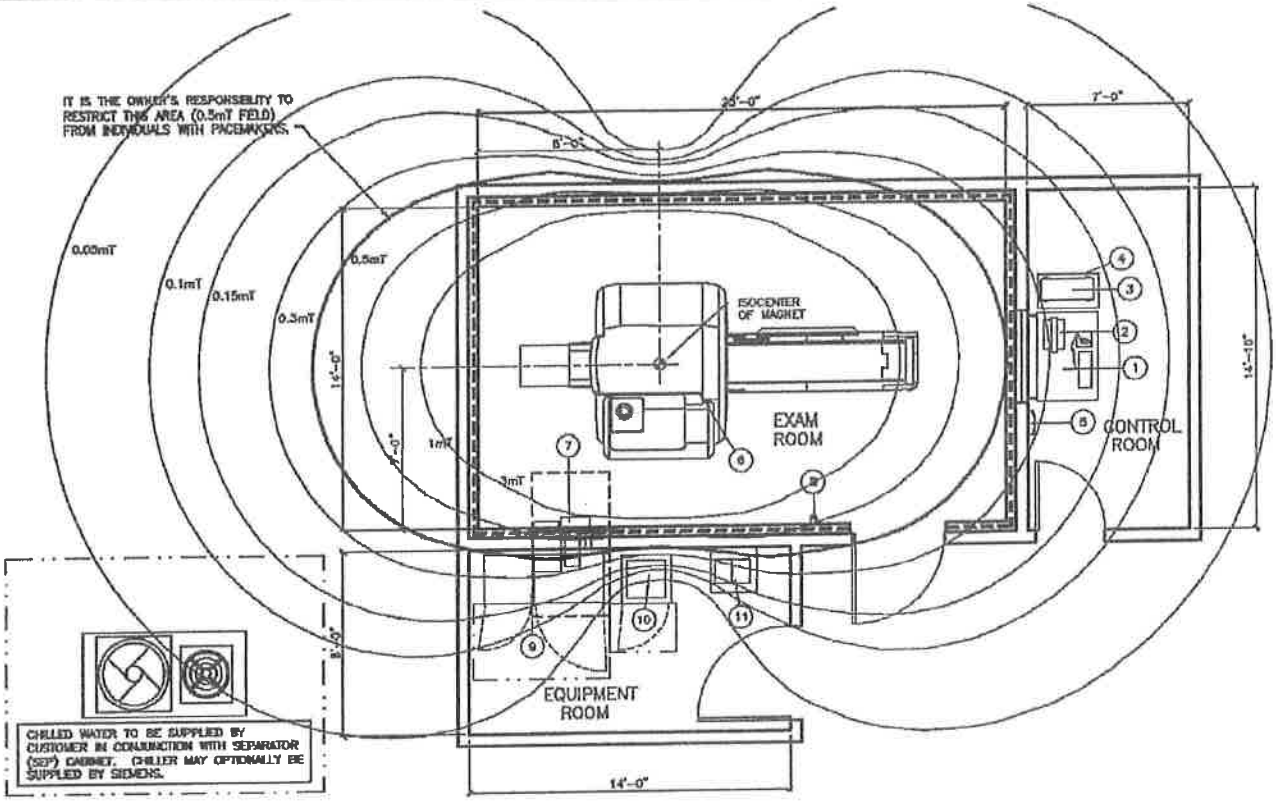
MAGNETOM SKYRA

TYPICAL ROOM PLAN

MR



TYPICAL PLAN SCALE: 1/8" = 1'-0"

EQUIPMENT LEGEND

NO	DESCRIPTION	SMS SYM	WEIGHT (LBS)	BTU/HR TO AIR	DIMENSIONS (INCHES) W	D	H	REMARKS
1	MRC OPERATING CONSOLE AND KEYBOARD		132	---	45 11/16	35 1/4	28 3/8	
2	COLOR MONITOR FOR MRC		22	239	18 5/16	18 15/18	4 3/4	ON CONSOLE/COUNTER
3	HOST PC MRC		49	2,389	11	27	18 1/8	
4	CONTAINER FOR HOST 500		238	---	19 5/8	31 1/2	28 3/8	
5	ALARM BOX		2	---	9	4	9	
6	3T MAGNET WITH COVERS AND PATIENT TABLE		15,802	9,383	90 1/2	181 3/4	87 3/8	
7	RF-FILTER PLATE		285	853	46 1/2	21 3/4	21 1/2	
8	MAGNET STOP		1	---	3	5	3	
9	ELECTRONICS CABINET (GPA/EPC CABINET)		2,756	13,649	61 1/2	26	77 1/2	
10	SEP CABINET		750	3,415	25 5/8	25 5/8	73 5/8	
11	POWERWARE 9130 UPS WITH EBM (OPTION)		186	1,257*	16 7/8	12 7/8	16 1/4	*1,755 ON BATTERIES

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MAGNETOM SKYRA

SPECIFICATIONS MR

POWER REQUIREMENTS

VOLTAGE RANGE: 480 VAC ±10% FOR ALL LINE AND LOAD CONDITIONS.
VOLTAGE BALANCE: 2% MAXIMUM DIFFERENCE BETWEEN PHASES

FREQUENCY:	60 Hz ± 1.0 Hz
LINE IMPEDENCE:	95 mOHMS
STAND BY POWER:	7.2 kVA
HIGHEST AVERAGE POWER	56 kVA
CONNECTION VALUE (LESS THAN 5 MINUTES)	110 KVA
MOMENTARY POWER	140 KVA
RECOMMENDED TRANSFORMER	150 KVA
MR SYSTEM OVERCURRENT PROTECTION	175 A
RECOMMENDED UPS	TBD
UPS SYSTEM OVERCURRENT PROTECTION	TBD
MAX. ALLOWABLE VOLTAGE DROP AT MAX. POWER	6.0%

POWER REQUIREMENTS

DEMAND AND CAPACITY REQUIREMENTS NOTES

1) IF EQUIPMENT UPGRADE IS ANTICIPATED, INSTALLING ELECTRICAL POWER TO MEET THE REQUIREMENTS OF THE HIGHER POWER GRADIENT PACKAGE AT THE TIME OF INITIAL INSTALLATION WILL REDUCE THE COST TO UPGRADE THE ELECTRICAL SYSTEM LATER.

2) RECOMMENDED TRANSFORMER SIZE (SYSTEM WITHOUT UPS) IS BASED ON INDUSTRY STANDARD ISOLATION TRANSFORMER KVA RATINGS. SOURCE IMPEDANCE FEEDING THE MAGNETOM SYSTEM, INCLUDING ANY ISOLATION TRANSFORMERS, MUST MEET EQUIPMENT REQUIREMENTS AS LISTED HERE. SIEMENS RECOMMENDS A TRANSFORMER WITH COPPER WINDINGS, AN ELECTRO-STATIC SHIELD, AND A LOW IMPEDANCE (<3%) TO ENSURE THAT SOURCE IMPEDANCE REQUIREMENTS ARE MET.

3) OVERCURRENT PROTECTION IS SPECIFIED FOR SYSTEMS WITHOUT AN UNINTERRUPTIBLE POWER SUPPLY (UPS). ADDITION OF A UPS REQUIRES A HIGHER CAPACITY MAINS CONNECTION (DEPENDENT UPON UPS MODEL AND SIZE).
MAXIMUM FAULT CURRENT IS DEPENDENT UPON THE IMPEDANCE OF THE FACILITY ELECTRICAL SYSTEM. CUSTOMER'S ARCHITECT OR ELECTRICAL CONTRACTOR TO SPECIFY AIC RATING OF OVERCURRENT PROTECTION BASED ON FACILITY IMPEDANCE CHARACTERISTICS.

4) MOMENTARY POWER IS BASED ON A MAXIMUM RMS VALUE FOR A PERIOD NOT TO EXCEED FIVE (5) SECONDS, AS DEFINED IN NEC 517.2. STAND-BY AND AVERAGE CURRENT ARE SUBSTANTIALLY LOWER.

5) THE CONDUCTOR SIZE SHOULD BE SELECTED TO MEET THE VOLTAGE DROP REQUIREMENTS, TAKING INTO CONSIDERATION THE MAINS CAPACITY, RUN LENGTH, AND ANY ADDITIONAL TRANSFORMERS USED TO OBTAIN THE PROPER EQUIPMENT VOLTAGE LEVEL. NEMA STANDARD XR-9-1989 (R1994,R2000) PROVIDES GENERAL GUIDELINES FOR SIZING CONDUCTORS, TRANSFORMERS, AND ELECTRICAL SYSTEMS FOR MEDICAL IMAGING SYSTEMS.

6) LONG-TIME POWER IS BASED ON THE HIGHEST AVERAGE RMS VALUES FOR A PERIOD EXCEEDING 5 MINUTES DURING CLINICAL SYSTEM OPERATION, AS DEFINED IN NEC 517.2.

7) A CIRCUIT BREAKER WITH A HIGH INRUSH RATING (>8x RATED CURRENT) IS REQUIRED TO PERMIT SWITCH-ON OF THE UPS SYSTEM WITHOUT SPURIOUS TRIPPING. CIRCUIT BREAKERS WITH AN ADJUSTABLE MAGNETIC TRIP (SIEMENS FD6 SERIES OR SIMILAR) ARE HIGHLY RECOMMENDED.

NOISE LEVELS

SYSTEM ROOM	NOISE LEVEL / dB(A)
CONTROL ROOM	<55
EXAMINATION ROOM	88.3 dB(A) AVERAGE VALUE OVER 8 HOURS INSIDE EXAM ROOM.
EQUIPMENT ROOM	<65

IT IS THE CUSTOMER'S RESPONSIBILITY TO ENSURE THAT ALL LOCAL/STATE/OSHA NOISE REGULATIONS ARE ADHERED TO. ADDITIONAL NOISE DATA MAY BE PROVIDED BY SIEMENS PROJECT MANAGER UPON REQUEST.

CEILING HEIGHTS

EXAM ROOM 7'-11" MINIMUM
CONTROL ROOM 6'-11 MINIMUM
EQUIPMENT ROOM 7'-3" MINIMUM

REMOTE SYSTEM DIAGNOSTICS

SIEMENS REMOTE SERVICES (SRS) REQUIRES A CONNECTION BETWEEN THE SRS REMOTE SERVER AND SIEMENS SYSTEMS VIA REMOTE LOCAL AREA NETWORK ACCESS, TO ENSURE THE UPTIME OF YOUR SYSTEM.

THIS SERVICE REQUIRES ONE OF THE FOLLOWING CONNECTION METHODS:
1. (PREFERRED) VPN – WHERE THE CUSTOMER HAS AVAILABLE A VPN CAPABLE FIREWALL OR OTHER VPN APPLIANCE.
2. (OPTIONAL) *SRS ROUTER* – CONNECTED TO ANALOG PHONE LINE VIA *ANALOG MODEM*, ETHERNET CONNECTION TO CUSTOMER'S LAN, AND A POWER OUTLET. NOTE: – *SUPPLIED BY SIEMENS*

FOR MORE INFORMATION

FOR MORE DETAILED PLANNING REQUIREMENTS FOR THIS SYSTEM, SEE THE TYPICAL FINAL DRAWING SET NUMBER: 10024

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MAGNETOM SKYRA

SPECIFICATIONS MR

CHILLED WATER SUPPLY

A CHILLED WATER SUPPLY IS REQUIRED TO THE MRI SYSTEM 24 HOURS A DAY, YEAR ROUND FOR THE COLD HEAD AND GRADIENT SYSTEMS. THIS CAN BE PROVIDED BY A CENTRAL CHILLED WATER SUPPLY OR A SEPARATE STAND ALONE CHILLER THAT MEETS THE STATED REQUIREMENTS. THE CHILLED WATER CAN ALSO BE SUPPLIED BY A DEDICATED KRAUS ECO CHILLER AND INTERFACE PANEL.

WITHOUT THE USE OF A DEDICATED KRAUS CHILLER, A SEP (SYSTEM SEPARATOR CABINET), MUST BE INCLUDED WITH THE SIEMENS ORDER. THE PIPE SIZE BETWEEN THE KRAUS CHILLER AND INTERFACE PANEL, OR BETWEEN THE WATER SUPPLY AND SEP MUST BE 2 INCH UP TO 82 FEET, 2-1/2 INCH UP TO 148 FEET, CONSULT FOR LONGER PIPE. PERMISSIBLE MATERIALS THAT CAN BE USED FOR THE PIPING ARE: STAINLESS STEEL (V2A, V4A), NON-FERROUS METAL (COPPER, BRASS), SYNTHETIC MATERIAL, PLASTICS, BRAZING SOLDER, HARD SOLDER, OR FITTING SOLDER TYPE 3 AND 4. THERE ARE MATERIALS THAT MAY CAUSE DAMAGE TO THE COOLING SYSTEM AND CANNOT BE USED, THESE MATERIALS ARE ALUMINUM, IRON, CARBON STEEL, ZINC, ZINC PLATED STEEL, OR STANDARD STEEL PIPES.

THESE REQUIREMENTS ARE REQUIRED FOR NEW INSTALLATIONS, IF EXISTING WATER PIPES COMPLY WITH SIEMENS WATER SPECIFICATIONS, THEY DO NOT NEED TO BE REPLACED.

NORMAL TAP WATER MUST BE AVAILABLE FOR FILLING THE SECONDARY WATER CIRCUIT. THERE SHALL BE A HOSE BIB LOCATED WITHIN 65' OF THE SEP, IFP, ACC OR THE KRAUS CHILLER.

THE SUPPLY AND RETURN CHILLED WATER PIPES MUST BE LABELED. THE LOCATION OF THE LABELS MUST BE AT ALL CONNECTION AND REFILLING POINTS AND MUST CONTAIN FLOW DIRECTION AND CONTENTS.

ENVIRONMENTAL REQUIREMENTS

1) AIR CONDITIONING IS TO PROVIDE A TEMPERATURE OF 70°F ±5°F IN THE CONTROL & EQUIPMENT ROOMS 65°F-71°F IN EXAM ROOM. RELATIVE HUMIDITY OF 40-60% (NON-CONDENSING) IS REQUIRED EXAMINATION ROOM AND 40-80% (NON-CONDENSING) IN ALL OTHER AREAS WHERE SIEMENS EQUIPMENT IS INSTALLED. THESE CONDITIONS ARE TO BE MET AT ALL TIMES; 24 HOURS A DAY, 7 DAYS A WEEK.

2) A DEDICATED AIR CONDITIONING AND HUMIDIFICATION SYSTEM IS RECOMMENDED FOR THE EXAM ROOM. A MINIMUM FRESH AIR EXCHANGE RATE OF 6 TIMES PER HOUR FOR THE EXAM ROOM IS REQUIRED. AIR SUPPLY AND RETURN ABOVE THE FINISHED CEILING IN THE EXAM ROOM IS RECOMMENDED. EACH ROOM SHOULD HAVE A DEDICATED CONTROL AND SENSOR TO MONITOR AND ADJUST THE AIR.

3) THE HEAT INTO THE EXAM ROOM IS LESS THAN 10,236 BTU/HR. THE HEAT INTO THE EQUIPMENT ROOM IS TYPICALLY 32,415 BTU/HR, MAXIMUM 40,946 BTU/HR. THIS HEAT DISSIPATION IS FROM THE SIEMENS EQUIPMENT ONLY. AUXILIARY SUPPORT EQUIPMENT (ie UPS) AND LIGHTING MUST BE CONSIDERED FOR TOTAL HEAT LOADS.

4) IT IS IMPORTANT FOR FRESH AIR INTAKE SYSTEMS TO EXHAUST AIR DIRECTLY OUT OF THE BUILDING. THE EXHAUST AIR MUST NOT BE DEFLECTED INTO ANOTHER ROOM. THE MAGNET ROOM EXHAUST AIR SHOULD BE INSTALLED AT LEAST 6'-6" ABOVE FINISHED FLOOR.

5) THE AIR INTAKE OF THE AIR CONDITIONING SYSTEM MUST NOT BE LOCATED IN THE VICINITY OF THE QUENCH VENT EXHAUST.

6) IF THE INPUT DRAWS UPON AIR FROM OUTSIDE THE BUILDING, IT IS RECOMMENDED TO INSTALL AN ON-SITE FILTER TO REMOVE DUST PARTICLES GREATER THAN 10 MICRONS.

CHILLED WATER REQUIREMENTS

WATER REQUIREMENTS TO BE MEASURED AT THE SEP CABINET.

FLOW RATE:	26.42 GPM ±2.64 GPM
WATER TEMPERATURE:	43°F – 53°F
BTU DISCHARGE TO THE WATER	204,729 BTU/HR
WATER PRESSURE	MAXIMUM 87 PSI
LOSS OF PRESSURE FOR SEP CABINET	14.5 PSI MAXIMUM
CHILLED WATER ACIDITY RANGE	6 pH TO 8 pH
CHILLED WATER HARDNESS	<250 ppm CALCIUM CARBONATE
CHLORINE GAS CONCENTRATION	<200 ppm
FILTRATION	500 µm

FOR INSTALLATION OF A KRAUS ECO CHILLER, IT IS THE RESPONSIBILITY OF THE CUSTOMER/MECHANICAL CONTRACTOR TO PROVIDE A MIXTURE OF WATER WITH 35%-38% ETHYLENE GLYCOL PRIOR TO CHILLER START UP. DO NOT USE PROPYLENE GLYCOL OR AUTOMOTIVE ANTI-FREEZE.

THE AMOUNT OF THE MIXTURE MUST FILL THE CHILLER, MR SYSTEM AND PIPING (SUPPLY AND RETURN). SEE EXAMPLES BELOW.

(1) GALLON OF UNDILLUTED GLYCOL, OR (2) GALLONS OF WATER/GLYCOL MIXTURE MUST REMAIN ON SITE FOR USE AFTER START UP.

MIXTURE VOLUME INCLUDING SUPPLY & RETURN+15 GAL. CHILLER & MR

PIPE DIAMETER	TOTAL LENGTH	MIXTURE VOLUME	GLYCOL NEEDED
2"	100'	31.3 GALLONS	11.9 GALLONS
2"	200'	47.6 GALLONS	18.1 GALLONS
2.5"	100'	40.5 GALLONS	15.4 GALLONS
2.5"	200'	66.0 GALLONS	25.1 GALLONS

MIXTURE VOLUME = 3.14 x (PIPE RADIUS)^2 x PIPE LENGTH + 15 GALLONS.
GLYCOL AMOUNT = 35-38% OF MIXTURE VOLUME.

QUENCH VENT NOTES

LIQUID AND GASSEOUS HELIUM ARE USED IN THE OPERATION OF A SUPERCONDUCTING MRI SYSTEM. THE MECHANICAL CONTRACTOR SHALL PROVIDE A VENT, ACCORDING TO SIEMENS SPECIFICATIONS, TO EXHAUST GASSEOUS HELIUM FROM THE MAGNET TO OUTSIDE THE BUILDING. PLEASE SEE THE SIEMENS TYPICAL DRAWINGS FOR DETAILS.

SIEMENS

FOR REFERENCE ONLY,
NOT FOR CONSTRUCTION.

MAGNETOM SKYRA

SPECIFICATIONS MR

PROTECTING THE ENVIRONMENT

PROTECTING THE IMMEDIATE ENVIRONMENT FROM THE EFFECT OF THE MAGNETIC FIELD REQUIRES CONSIDERATION. INFORMATION STORED ON MAGNETIC DATA CARRIERS SUCH AS DISKS, TAPES, AND CREDIT CARDS MAY BE ERASED IF IN CLOSE PROXIMITY. CAUTION WITH REGARD TO HEART PACEMAKERS MUST BE EXERCISED. MOST PACEMAKER UNITS EMPLOY A REED RELAY WHICH MAY CHANGE OPERATING MODE WHEN EXPOSED TO AN EXTERNAL MAGNETIC FIELD. THEREFORE, PACEMAKER USERS MUST BE KEPT AT A SPECIFIED DISTANCE FROM THE MAGNET WHICH IS DETERMINED BY THE MAGNETIC FIELD STRENGTH.

PROTECTING THE MAGNETIC FIELD

THE SIEMENS MAGNETOM UTILIZES A SUPERCONDUCTIVE MAGNET WITH AN EXTREMELY HOMOGENEOUS FIELD WITHIN THE MAGNET TO PROVIDE DISTORTION-FREE IMAGING. THE PRESENCE OF FERROMAGNETIC MATERIAL WITHIN THE VICINITY OF THE MAGNET CAN ADVERSELY AFFECT THE UNIFORMITY OF THE USEFUL MAGNETIC FIELD. THIS APPLIES TO STATIONARY FERROUS MATERIAL (STRUCTURAL STEEL) WHICH IS TO BE MINIMIZED. STATIONARY STEEL COMPENSATION MAY BE ACHIEVED BY MAGNET POSITIONING AND SELECTIVE USE OF SHIMS. FIELD DISTORTION ENCOUNTERED BY MOVING FERROMAGNETIC OBJECTS IS MORE DIFFICULT TO COMPENSATE AND MAY REQUIRE THE USE OF MAGNETIC SHIELDING.

MAGNETIC FRINGE FIELDS

MAGNETIC FIELDS MAY AFFECT THE FUNCTION OF DEVICES IN THE VICINITY OF THE MAGNET. THESE DEVICES MUST BE OUTSIDE CERTAIN MAGNETIC FIELDS. THE DISTANCES LISTED ARE FROM THE MAGNET ISOCENTER AND DO NOT CONSIDER ANY MAGNETIC ROOM SHIELDING.

X/Y AND Z AXIS	DEVICES
6'-11" / 10'-6" 3.0mT	SMALL MOTORS, WATCHES, CAMERAS, CREDIT CARDS, MAGNETIC DATA CARRIERS (SHORT-TERM EXPOSURE)
7'-7" / 13'-2" 1.0mT	COMPUTERS, MAGNETIC DISK DRIVES, OSCILLOSCOPES, PROCESSORS
8-7" / 15'-2 0.5mT	CARDIAC PACEMAKERS, X-RAY TUBES, INSULIN PUMPS, B/W MONITORS, MAGNETIC DATA CARRIERS (LONG-TERM STORAGE)
11-2" / 20'-1" 0.15mT	COLOR MONITORS, SIEMENS CT SCANNERS
12'-6" / 22'-4" 0.1mT	SIEMENS LINEAR ACCELERATORS
16'-1" / 26'-11" 0.05mT	X-RAY IMAGE INTENSIFIERS, GAMMA CAMERAS, PET/CYCLOTRON, ELECTRON MICROSCOPES, LINEAR ACCELERATORS

THE OWNER/USER IS TO VERIFY THE LOCATION OF THE 0.5mT FIELD AND ENSURE THAT IT IS MAINTAINED AS A RESTRICTED AREA.

MAGNET SITING REQUIREMENTS

IT MUST BE ENSURED THAT THE MAGNET IS LOCATED SO THAT THE STABILITY AND HOMOGENEITY OF THE MAGNETIC FIELD ARE NOT ADVERSELY AFFECTED BY EXTRANEOUS FIELDS AND STATIC OR DYNAMIC FERROMAGNETIC OBJECTS.

X/Y AND Z AXIS	SOURCE OF INTERFERENCE
4'-0"	FLOOR STEEL REINFORCEMENT<20 LBS./ FT² IRON BEAMS < 66 LBS./FT.
18'-0" / 21'-3"	STRETCHERS UP TO 110 LBS.
13'-1"	A/C CHILLERS
19'-8" / 22'-11"	TRANSPORT DEVICES UP TO 440 LBS.
21'-3 / 26'-2"	VEHICLES UP TO 2,000 LBS.
22'-11" / 31'-2"	ELEVATORS, TRUCKS UP TO 10,000 LBS.
39'-4"/25'-2"	AC TRANSFORMERS LESS THAN 100 KVA
41'-0"/32'-9"	AC TRANSFORMERS LESS THAN 250 KVA
42'-7"/39'-4"	AC TRANSFORMERS LESS THAN 650 KVA
45'-11"/49'-2"	AC TRANSFORMERS LESS THAN 1600 KVA
9'-10"/6'-6"	AC CABLES, MOTORS LESS THAN 100 AMPS
22'-11"/9'-10"	AC CABLES, MOTORS LESS THAN 250 AMPS
131'-2"	ELECTRIC RAILWAY SYSTEMS

FOR IRON OBJECTS LOCATED UP TO 45' FROM THE Z AXIS, THE DISTANCES FOR THE Z AXIS MUST BE USED.
REDUCTION IS POSSIBLE WITH STEEL SHIELDING.

MAXIMUM CABLE LENGTH

THERE ARE 3 DIFFERENT LENGTHS OF CABLE THAT ARE AVAILABLE FOR THE MRI SYSTEM DIFFERENTIATED BY MAXIMUM LENGTHS FROM THE MAGNET TO THE FILTER PANEL (INSIDE) AND FROM THE FILTER PANEL TO THE ELECTRONICS (OUTSIDE).

INSIDE	OUTSIDE
20'	4'
20'	32'
20'	39'

THE VERTICAL DISTANCE FOR CABLE TRAVEL FROM THE FILTER PANEL TO THE CABLE TRAY, AND FROM THE CABLE TRAY TO THE MAGNET MUST BE CONSIDERED.

THE MAXIMUM DISTANCE FROM THE ACC CABINET TO THE CONTROL CONSOLE IS 75 FEET.

SIEMENS

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MAGNETOM SKYRA

SPECIFICATIONS MR

RF SHIELDING

THE EXAMINATION AREA MUST BE SHIELDED TO PROVIDE A REDUCTION OF RADIO FREQUENCY WAVES EMANATING FROM EXTERNAL TRANSMITTERS. THE REQUIRED ATTENUATION IS 90dB IN THE FREQUENCY RANGE OF 15–128 MHz. IF CO–SITING TWO SYSTEMS EACH ROOM SHOULD BE 100 dB. THE RF SHIELD MUST BE TESTED BEFORE AND AFTER MAGNET PLACEMENT IN THE RF ROOM AND AFTER THE SIEMENS RF FILTER PANEL IS INSTALLED.

THE RF–SHIELDING MUST BE INSULATED FROM ALL GROUNDS SUCH THAT THE ONLY GROUND IS THE SINGLE POINT GROUND ON THE OUTSIDE OF THE RF–ROOM WALL. RESISTANCE ≥ 100 OHMS.

ALL ELECTRICAL LINES INTO THE RF ROOM MUST BE ROUTED THROUGH RF FILTERS (PROVIDED BY RF SHIELDING SUPPLIER).
ALL ELECTRICALLY NON–CONDUCTIVE SUPPLY LINES (E.G. FIBER OPTIC CABLES, OR HOSES) INTO THE RF ROOM MUST BE ROUTED THROUGH RF SEALED WAVEGUIDES (PROVIDED BY RF SHIELDING SUPPLIER).

FOR PRESSURE EQUALIZATION PURPOSES THE RF DOOR SHOULD OPEN TO THE OUTSIDE OF THE RF ROOM. AS AN ALTERNATIVE A 24"X24" OPENING IN THE RF ROOM FOR PRESSURE EQUALIZATION IS REQUIRED.

TRANSPORTING REQUIREMENTS

LARGEST ITEM – MAGNET – 18,298 LBS.

MAGNET DIMENSIONS: 7'–6" HIGH x 7'–7" WIDE x 10'–5" LONG FOR STANDARD DELIVERY. BY REMOVING THE TABLE, THE LENGTH CAN BE REDUCED TO 6'–5". THE ROOF HATCH OPENING SHOULD BE 4" LARGER THAN THE MAGNET DIMENSIONS.

TO TRANSPORT THE GPA/ACC CABINET (2,756 POUNDS) A MINIMUM ROOM HEIGHT OF 6'–9" WITH TRANSPORT ROLLERS, OR 6'–5" WITHOUT TRANSPORT ROLLERS IS REQUIRED.

BUILDING VIBRATIONS

VIBRATION OF THE SITE HAS THE ABILITY TO AFFECT THE STABILITY AND HOMOGENEITY OF THE MAGNETIC FIELD. THEREFORE EXTERNAL VIBRATIONS OR SHOCKS AFFECTING THE MAGNET MAY DEGRADE IMAGE QUALITY. IN THE THREE SPATIAL ORIENTATIONS THE BUILDING MUST NOT EXCEED ACCELERATION OF 0.001m/s or –80dB(g) g=9.81 m/s

THE REQUIREMENT FOR a_{max} IS MEASURED AS MAXIMUM RMS VALUE PER FREQUENCY COMPONENT <0.5Hz IN THE FOURIER TRANSFORMATION OF THE RECORDED SIGNAL (SPECTRUM).

THE VIBRATION LEVEL OF CONTINUOUS VIBRATIONS (CAUSED BY AIR CONDITIONER, COMPRESSOR, ETC.) AT THE LOCATION OF THE MAGNET MUST NOT EXCEED THE SPECIFED VALUES.
FOR ALL NON–CONTINOUS TRANSIENT VIBRATIONS THE FIGURES SHOULD BE MULTIPLIED BY 4 (OR 12dB).

CONTACT SIEMENS PROJECT MANAGER FOR MORE DETAILS.

SIEMENS

CONTRACT ADDENDUM

Siemens Medical Solutions USA, Inc.
Purchase Agreement/Terms and Conditions of Sale

This Addendum shall become a part of each of the equipment sales agreements between **Siemens Medical Solutions USA, Inc.** ("Siemens" or "Seller") and **University Health System** ("Purchaser"), referenced as Siemens' Quotation numbers listed below. :

BU	System	Quote
XP	Luminos Agile YD RS	1-AAL60S v.0
XP	Luminos Agile YD RS	1-AANJKF v.1
XP	RS Mobilett XP Mira	1-ABCB8G v.0
XP	ARCADIS Avantic Demo	1-7J70NK v.1
MR	Skyra	1-A9VBQI v.1
US	RS S2000	1-9YPLV1
US	RS S2000	1-ACFGHP
AX	Artis Q biplane	1-8XE5QP v. 2
AX	Artis zee floor	1-93CHMT v. 1
MI	Symbia Intevo 16	1-8ZVB9D rev.0
MI	Symbia E Singe Head	1-7U2I41 rev.1

The applicable MedAsset GPO Terms and Conditions will govern all the Quotations listed above. For items not included on the MedAsset contract, Siemens will extend the MedAsset Terms exclusive of any administration fee paid by Siemens to MedAssets.

Siemens Medical Solutions USA, Inc.

By: [signature]

Name: [illegible]

Title: [illegible]

Date: 7/30/14

By: [signature]

Name: [illegible]

University Health System

By: Wm. D. Hall

Name: Wm. D. Hall

Title: SVP & COO

Date: 9/30/14

SIEMENS

Proposal # 1-AFU4RD

District / Sales Office

SIEMENS MEDICAL SOLUTIONS USA,INC.
3663 North Sam Houston Suite 400
Houston, TX 77032
Attn: Michael Atwood
Phone: (615) 939-6394
Fax: (615) 866-5922
Email: michael.atwood@siemens.com

Sold To
UNIVERSITY HEALTH SYSTEM INC
1924 ALCOA HWY
KNOXVILLE, TN 37920

Bill To
UNIVERSITY HEALTH SYSTEM INC
1924 Alcoa Hwy
KNOXVILLE, TN 37930

Payer
UNIVERSITY HEALTH SYSTEM INC
1924 ALCOA HWY
KNOXVILLE, TN 37920

Siemens Medical Solutions USA, Inc. is pleased to submit the following proposal for service and maintenance described herein at the stated prices and terms. Subject to your acceptance of the terms and conditions on the face and general terms and conditions Document hereof.

Item #	System Name	Functional Location	Service Agreement	Contract Duration	Warranty Period Price	Partial Year Price	Annual Price
1	AXIOM Luminos Agile		Gold contract	Warranty + 5 Years	$0	$0	$43,795
2	AXIOM Luminos Agile		Gold contract	Warranty + 5 Years	$0	$0	$43,795
3	Symbia Intevo 16		Gold contract	Warranty + 5 Years	$0	$0	$89,319
4	Symbia E Single Head		Gold contract	Warranty + 5 Years	$0	$0	$21,103
5	Artis Q Biplane		Select contract	Warranty + 5 Years	$0	$0	$122,583
6	syngo X Workplace		Select contract	Warranty + 5 Years	$0	$0	$6,110
7	Mark 7 Arterion Injector		OEM contract	Warranty + 5 Years	$0	$0	$4,230
8	Eaton 9390IT 40kVA w/ATS		OEM contract	Warranty + 5 Years	$0	$0	$4,300
9	Artis zee Floor		Select contract	Warranty + 5 Years	$0	$0	$79,667
10	syngo X Workplace		Select contract	Warranty + 5 Years	$0	$0	$8,110
11	Mobilett Mira		Silver contract	Warranty + 5 Years	$0	$0	$8,242
12	Magnetom Skyra		Select contract	Warranty + 5 Years	$0	$0	$129,524
13	ECO Chiller		OEM contract	Warranty + 5 Years	$0	$0	$6,500
14	S2000		Silver contract	Warranty + 5 Years	$0	$0	$8,513
15	S2000		Silver contract	Warranty + 5 Years	$0	$0	$8,513
16	ARCADIS Avantic		Silver contract	Warranty + 5 Years	$0	$0	$10,868

Proactive Service Plans: (Pinnacle, Select, Essential) Notwithstanding anything to the contrary contained in this Agreement, remote access to the Equipment identified above will be established through a broadband internet based connection to either a Customer-owned or Siemens-provided secure end-point. The method of connection will be a Peer-to -Peer VPN IPsec tunnel (non-client based) with specific inbound and outbound port requirements.

Includes:
Parts and/or Labor to the extent shown in Exhibit A.
Principal Coverage Period (PCP) as stated in Exhibit A for each system.
System Updates.
Access to Siemens Customer Care Center for technical telephone support (remote diagnostics, if available to the site and the equipment).

Excludes:
Consumables (batteries, leads, padding, storage media, cassettes, etc.); non-Siemens components and accessories (such as VCR, injector, laser printer, MR surface coils, tables/table tops, chiller, UPS, etc.) unless specifically identified in Exhibit A. Parts defective due to "acts of God", abuse, misuse, neglect, thermal and shock. Glassware (unless purchased as an option).

Notes:
The chilled water supply is an integral part of the MR Equipment covered by this Agreement and is critical for the proper operation of the Equipment and for minimizing the loss of cryogens and preventing damage to the MR and its components. Servicing of the chiller by vendors contracted and certified by Siemens is the recommended path for reducing downtime, potential cryogen losses and damage to the MR and its components. Cryogens lost on the associated MR Equipment and any other damages caused to the MR and any of its components due to issues with chillers not serviced by Siemens under a Siemens service contract or due to other excluded causes (e.g., interruption of power, force majeure occurrences, Customer misuse or negligence, etc.) are not covered under this Agreement and will be replaced and/or repaired at the Customer's sole cost and expense at the current negotiated rate for Siemens "Service By Request" (Time and Materials) customers.

Terms of payment: Net 30 days from invoice date. Past due payment is subject to 1.5% interest charge per month.

Customer's Acceptance

Ron Collins
(By) (Signature)

Ron Collins VP, Supply Chain
Name and Title

Acceptance Date 9/30/14

Siemens Medical Solutions USA, Inc.

(By) (Signature)

Michael Atwood Service Sales Executive
Name and Title

Customer P.O. # _____ (enter P.O. # for contract billing; if not provided, Siemens will invoice without P.O.)
_____ (Initial if P.O. is required but will be issued prior to warranty expiration)
Standing P.O. # _____ (for T&M charges outside of the contract)

This service agreement proposal is valid for 30 days. Agreement becomes effective upon customer signature and Siemens acceptance. Customer's acceptance acknowledges receipt and agreement to Terms and Conditions set forth on all pages of this proposal.

SIEMENS

Proposal # 1-AFU4RD

Item #12:

Equipment:	Magnetom Skyra		
Equipment Location:	UNIVERSITY HEALTH SYSTEM INC		
Address:	1924 ALCOA HWY, 32849, KNOXVILLE, TN 37920		
Functional Location:	**Service Quote Nr:** 1-A6V0YN Rev 2	**Equipment Quote Nr:** 1-3M11UV	**Payment Frequency:** Monthly
Warranty Agreement: Extended Warranty	**Warranty Start:** Upon Warranty Commencement	**Warranty End:** 1 Year Duration	**Warranty Price:** $0
Service Agreement: Select contract	**Contract Start:** Upon Warranty Expiration	**Contract End:** 5 Year Duration	**Annual Price:** $129,524

(See Glossary pages for detailed description of items listed below.)

Coverage applies during the Warranty or Contract Period as indicated:	Warranty Period	Contract Period
Principal Coverage Period	08:00am - 10:00pm M-F	08:00am - 10:00pm M-F
Annual Exam Allowance	Unlimited	Unlimited
Uptime Guarantee	98%	98%
Phone Response	30 min	30 min
On-Site Response	4 hours	4 hours
Parts Order Requirement	Noon	Noon
Parts Delivery	Same Day	Same Day
9130 UPS Coverage	✓	✓
Safety Checks	✓	✓
Planned Maintenance	✓	✓
Quality Assurance	✓	✓
Updates	✓	✓
Labor	✓	✓
Siemens Remote Services	✓	✓
Travel	✓	✓
LifeNet Access	✓	✓
Application Hotline Phone Support	✓	✓
Technical Phone Support	✓	✓
ACR Support Package MR	✓	✓
Real Time Monitoring	✓	✓
Guardian Pro MR	✓	✓
UM Advanced Report MR	✓	✓
Continuous Effort	✓	✓
General Spare Parts Coverage	✓	✓
PM's performed outside PCP weekdays	✓	✓
Siemens Virus Protection SELECT	✓	✓
Coil Coverage	✓	✓
MMA and Helium	✓	✓
syngo Remote Assist Hotline Support	✓	✓
Saturday & Sunday PCP 8am-5pm	N/A	Qty 1
Accredited Self Study Program	N/A	Qty 1
e.learning subscription for 12 months / 12 CEUs	N/A	✓
EVOLVE Sky/VeDot/SkyFit, 1 step		

No further Options or Alternatives are included in the above listed equipment.

Glossary

Deliverables	Description
100,000 scansec dura x-ray tube coverage	Warranty - Unlimited tube coverage provided on all CT x-ray tubes. After warranty - Annual x-ray tube coverage is limited to 100,000 scan seconds.
200,000 scansec dura x-ray tube coverage *(Alternative)*	Warranty - Unlimited tube coverage provided on all CT x-ray tubes. After warranty - Annual x-ray tube coverage is limited to 200,000 scan seconds.
300,000 scansec dura x-ray tube coverage *(Alternative)*	Warranty - Unlimited tube coverage provided on all CT x-ray tubes. After warranty - Annual x-ray tube coverage is limited to 300,000 scan seconds.
9130 UPS Coverage	If selected, covers the 9130 UPS and extended battery module on all contracts having full parts coverage. For contracts including a parts allowance, the UPS will be applied toward the parts allowance. For contracts without any parts coverage, the replacement UPS will be billed with a 15% discount.
Accredited Self Study Program	This accredited self-study program provides the latest trends in imaging. These hot topic review articles will be mailed directly to your institution and will provide up to 24 Category A Continuing Education Credits fully recognized by ARRT and NMTCB. A comprehensive study guide accompanies each article to help ensure focus on technologist-relevant information.
ACR Support Offering for US	This accreditation assistance package for one applicable Siemens Ultrasound system includes unlimited technical and clinical phone support pertaining to the system readiness and deliverables described above, performed by the Customer Care Center during normal hours of operation M-F 8-8PM EST. Supporting deliverables include one printed accreditation guidebook (additional copies available electronically) aligned to the applicable Siemens system and Siemens operating system nomenclature. Customer is responsible for applying for accreditation, and all tasks and costs related to the application and acquiring the ACR phantom, collecting images, working with and communicating with the ACR. Numerous factors determine whether a site receives ACR accreditation. Therefore, Siemens does not guarantee a site will receive ACR accreditation.
ACR Support Package for MI SPECT	This ACR accreditation assistance package includes a remotely executed pre-submission system quality check to evaluate the readiness of one applicable Siemens system to acquire images for ACR accreditation. Supporting deliverables include one printed accreditation guidebook (additional copies available electronically) aligned to the applicable Siemens system and Siemens operating system nomenclature, workflow templates and/or phantom acquisition protocols and available web based user training containing imaging acquisition tips relative to the ACR accreditation process. Additionally, unlimited technical and clinical applications phone support pertaining to the system readiness and deliverables described above , performed by the Uptime Service Center during normal hours of operation M-F 8-8PM EST during the term of this engagement agreement. Customer is responsible for applying for accreditation, and all tasks and costs related to the application and acquiring the ACR phantom, collecting images, working with and communicating with the ACR. Numerous factors determine whether a site receives ACR accreditation. Therefore, Siemens does not guarantee a site will receive ACR accreditation.
ACR Support Package MR	This ACR accreditation assistance package includes a remotely executed pre-submission system quality check to evaluate the readiness of one applicable Siemens system to acquire images for ACR accreditation. Supporting deliverables include one printed accreditation guidebook (additional copies available electronically) aligned to the applicable Siemens system and Siemens operating system nomenclature, workflow templates and/or phantom acquisition protocols and available web based user training containing imaging acquisition tips relative to the ACR accreditation process. Additionally, unlimited technical and clinical applications phone support pertaining to the system readiness and deliverables described above , performed by the Uptime Service Center during normal hours of operation M-F 8-8PM EST during the term of this engagement agreement. Customer is responsible for applying for accreditation, and all tasks and costs related to the application and acquiring the ACR phantom, collecting images, working with and communicating with the ACR. Numerous factors determine whether a site receives ACR accreditation. Therefore, Siemens does not guarantee a site will receive ACR accreditation.
After Sales Option - 30% discount	Includes a discount of 30% on Sales Options.
Application Hotline Phone Support	Siemens Customer Care Center Clinical Applications Phone Support is provided with this contract during modality specified hours, call 1-800-888-7436 with your questions and to receive direct access to a Clinical Education Specialist
Artis zee Cockpit Service	Includes the labor and parts required to maintain, calibrate, and service your Artis Cockpit system.
Automatic Collimator Changer Coverage	Replacement of Automatic Collimator Changer, if necessary. Excludes Collimator.
Automatic Quality Control Coverage	Coverage of optional Automatic Quality Control subsystem (only if included on Exhibit A). Excludes replenishment of cobalt-57 sources.
Battery coverage *(Optional)*	Battery Coverage (Parts) for the mobil rad systems

Deliverables	Description
Chiller Coverage Exclusions	Glycol is a consumable and the customer's responsibility to maintain glycol onsite after installation. If the service vendor is not able to identify the specific supplier of glycol in the system, it may become necessary to flush and refill the system to specifications. Flush and refills under these circumstances are considered an exclusion to the service agreement.
Coil Coverage	Covers the repair and replacement of Siemens coils (Third Party coils are not covered, i.e. Invivo 4 Channel wrist array, lower extremity, knee array, 7-channel Breast, 4 ch. Small Extremity coil, 8-channel Shoulder) If your service contract has a parts allowance, the coils will be deducted from the parts allowance. If you do not have parts coverage, repair or replacement of a coil will be a billable charge.
Continuous Effort	In room-down/system-down situations, on-site work will continue past the contract PCP, 7 days a week, at no additional charge until the system is repaired, by not later than 1:00 a.m. local time. Continuous Effort applies only when a CSE has been on-site for at least one (1) hour prior to the end of the PCP. In such a case, Continuous Effort shall begin at the end of the PCP and end at 1 a.m. the following calendar day. Continuous Effort shall resume no sooner than seven (7) hours later, and may resume at a later time with the consent of the Customer.
Direct Access to TSE 7am-10pm ET	Live transfer to a TSE when reactive service calls are placed to the Uptime Service Center.
e.learning subscription for 12 months / 12 CEUs	This annual e.learning subscription will provide access for up to (2) technologists to utilize a total of up to (12) Category A Continuing Education Credits to engage in a variety of multi-modality self-paced education topics from clinical fundamentals to product specific training and beyond. These online offerings provide the flexibility and convenience to maintain continuing education requirements and are fully recognized by ARRT and NMTCB. For every subscription purchased an additional (2) technologists and 12 CEUs will be added. Expires per contract expiration. To engage in this offering, the selected users will need to visit www.medical.siemens.com/education Select Clinical Training and Continuing Education>Virtual Education>Modality selection. Click the link for service contract customers and fill out necessary information for account setup.
e.media	Coverage of optional patient entertainment system (only if included on Exhibit A).
Evolve	Enhancements to Operating Software and previously purchased software options that are included only when or if available.
EVOLVE Sky/VeDot/SkyFit, 1 step	Provides system software upgrades to the next syngo level, and when available, 1 computer hardware upgrade to the main system during the contract term. The contract term must be a minimum of 4 or greater years. syngo MultiModality Workplace excluded in all cases.
FD or mFD Detector coverage W/F	Covers replacement of standard Flat Panel Detector or mFD for wear and failure.
General Spare Parts Coverage	Replacement of standard spare parts. Excludes high-vacuum components (image intensifiers, x-ray tubes, CT tubes, mammography tubes). Excludes consumables (batteries, leads, padding, storage media, cassettes, radioactive sources, etc.), shock wave components, transducers, TEE's and special probes, flat panel detectors, MMLC, and waveguides. Excludes non-Siemens parts (MR surface coils, VCR, injector, laser, printer, chiller, UPS, etc.) unless specifically identified in Exhibit A. For Oncology only: Excludes high-vacuum components (including Magnetron, Klystron and Thyratron), waveguides, and other glassware, including tubes. Excludes HD270, multileaf collimator (58-leaf), Optifocus 82-leaf MLC, Optivue flat panel, Beamview, Micromoduleaf Collimator, Lantis computer hardware, Coherence RT Archive, Lantis and Coherence software subscription and support.
Gigalix Tube and FD Bundle	X-ray tube and Detector are covered for the full value of replacement for Wear and Failure. Coverage of the detector and tube is bundled and is provided at a discounted rate.
Guardian Pro AX	The Siemens Guardian Program™ offers you proactive online monitoring of your system's performance on an ongoing real-time basis. By continuously monitoring your system for possible deviations from current norms, the Guardian Program provides for a high level of system availability, making it possible to detect and resolve system errors before malfunctions occur. In the event of a system error message, one of our certified support engineers will immediately evaluate and initiate appropriate actions.. An expert opinion on the exact status of your system is also offered within the first 15 minutes.
Guardian Pro MR	A workflow assurance program built upon the SRS platform. Customer is required to provide a full-time VPN connection. Customer's system is actively monitored at the UPTIME to detect problems before they translate into system failure. See Glossary for description and Exhibit A for a complete list of deliverables.
Guardian Select - MI	The Siemens Guardian ProgramTM offers you proactive online monitoring of your system's performance on an ongoing real-time basis. By continuously monitoring your system for possible deviations from current norms, the Guardian Program provides for a high level of system availability, making it possible to detect and resolve system errors before malfunctions occur. In the event of a system error message, one of our certified support engineers will immediately evaluate and initiate appropriate actions.. An expert opinion on the exact status of your system is also offered within the first 15 minutes.

Deliverables	Description
Hardware Updates/Upgrades	
Image Intensifier coverage	Covers replacement of Image Intensifier, if necessary.
Integrated Collimator Changer Coverage	Coverage of optional Integrated Collimator Changer subsystem (only if included on Exhibit A). Excludes collimator coverage.
Labor	Unlimited coverage of on-site labor during the Principal Coverage Period indicated. Preferred labor rates for billable service outside of Principal Coverage Period (at current prevailing tiered rates).
Large Display Monitor	Covers parts and labor to repair large display monitor, if required.
LifeNet Access	The LifeNet portal provides access to customer service information related to diagnostic imaging equipment. Access includes service and PM management tools, equipment performance reports, service documentation, asset management and service contract management tools and much more.
Megalix CAT Plus Tube and FD (16 i nch) Bundle	X-ray tube and Detector are covered for the full value of replacement for Wear and Failure. Coverage of the detector and tube is bundled and is provided at a discounted rate.
MMA and Helium	Maintenance of magnet ancillary components and magnet performance. Covers parts associated with maintaining the magnet and refrigeration components (CryoCare). Covers burst disc, vent kit, valves, MSUP, ERDU, helium compressor, high pressure gas lines and cold head. If the magnet refrigeration system shuts down due to facility services failure or other causes, then additional charges may apply for cryogen refills and any resulting damages caused to system components. In addition, helium refills due to a customer-caused quench will be chargeable.
Mobilett Tube Coverage	Covers replacement of Mobilett Tube, if necessary.
Monitor Coverage	Covers repair or replacement of defective monitor, if required.
On-Site Response	Siemens guarantees on-site CSE arrival within a specific time period (see Exhibit A) after a call for service has been placed with the Siemens Customer Care Center. This on-site response applies in system/room down situations only. (See Response Time Guarantee in General Terms and Conditions for additional information)
Parts Delivery	Spare parts arrival for on-site repair of room-down/system-down is typically the Same Day following the time the parts order is submitted.
Parts Order Requirement	Parts order must be placed with Siemens by noon (Customer's local time) in order to receive Parts Delivery commitment as specified.
Performance Reports	Reports generated for Shared Service Agreement Customers (e.g. PM reports, Notification Incident call reports, etc..)
Phone Response	The response time indicated on Exhibit A provides preferred call-handling of a service event. This call-back response is the telephone response to the customer by the Siemens Customer Care Center personnel or the CSE to provide the status of the service call.
Planned Maintenance	Preventive services carried out in accordance with the equipment's specific maintenance plan. This includes: tracking and scheduling of required maintenance tasks; exchange of wear and tear parts according to maintenance plan; care measures; adjustments to factory specifications; verification of specified performance and functionality; documentation and detailed protocol of system condition.
PM's performed outside PCP weekdays	Planned maintenance optimizes system reliability through standardized measures and procedures. Siemens will coordinate planned maintenance in accordance with the manufacturer's recommendations outside the PCP hours designated on Exhibit A on Weekdays only.
Power C-arm tube coverage	Covers replacement of Power C-arm Tube, if necessary.
Preventative Maintenance (UPS and Battery Only)	Siemens will coordinate planned maintenance in accordance with the manufacturer's recommendations within the PCP hours as indicated above.
Principal Coverage Period	Hours defined in Exhibit A during which agreed-upon services are provided.
Principle Coverage Period 14 HRS. 8AM-10PM	Specific 14-hour period during which agreed-upon services are provided, as noted above.
Quality Assurance	Quality Assurance tasks are performed to keep the system within the quality specifications as issued by the Equipment's specifications. This consists of: tracking and scheduling of required quality assurance tasks, check of measuring and image quality parameters; verification of specified quality parameters; adjustments to factory quality specifications; and documentation and detailed quality report of system condition.
Real Time Monitoring	Real time event monitoring of a system by a Siemens engineer. Customers will be notified of critical events and action for resolution within 15 minutes of event occurring. Events of non-critical nature will be stored for trending purposes enabling predictive analysis for potential future failures. Siemens will respond to trends and schedule service accordingly.
Safety Checks	Safety Checks are performed to insure compliance with all local and federal safety guidelines and regulations. This service consists of tracking and scheduling of required tests, mechanical safety checks (e.g. mechanical movements etc.), electrical safety checks (e.g. leakage currents, insulation etc.), and reporting of findings and results.
Saturday & Sunday PCP 8am-5pm	Agreed-upon services as defined in Exhibit A will be performed Saturday or Sunday 8am-5pm. Service response during Saturday or Sunday PCP is guaranteed in system/room down situations. This option also extends the time frame to perform Planned Maintenance and Updates to anytime on Saturday or Sunday.

Deliverables	Description
Siemens Remote Services	SRS is the efficient and comprehensive infrastructure for the complete spectrum of medical device-related remote services. Permanent connection via VPN broadband required.
Siemens Virus Protection SELECT	Siemens Virus Protection SELECT consists of the following service features: Virus scanner installation: Expert installation of the certified and tested virus scanner Trend Micro OfficeScan Ongoing remote virus scanner updates: Constant automatic remote updates of the latest validated virus pattern and scan engine Security Hotline: The local Uptime Service Center is our customer's contact for up-to-date virus information and rapid response support. Siemens Virus Protection is available for all *syngo*-based systems which are - connected to our SRS infrastructure by a VPN broadband connection - covered by one of our service agreements - equipped with the required software version, which includes the Virus Scanner as well as the necessary CA-based Managed Node Package (MNP). Siemens will not be liable for system failures and loss of patient data, caused by a virus.
Site Visits During PCP	Unlimited site visits during the Principal Coverage Period indicated
SPECT Detector Head Subsystem Coverage	Maintenance of detector head assembly (including crystal, circuit boards, and associated cables) to Manufacturer's image-quality specifications, including labor, parts (only General Spare Parts Coverage is included in Exhibit A - up to defined limits in Exhibit A if applicable) and crystal coefficient regeneration as necessary. Excludes damage caused by thermal fluctuations outside specifications, mechanical shock, electrical transients and hydration caused by improper environmental conditions.
SPECT Sources NES8426-4 *(Optional)*	Repair and maintenance coverage of the shielded transmission source housing and the electronic shutter. Every 6 months the line sources are shifted one position outward from the center. The two vacant slots in the center are replenished with two 20 mCi sources.
SPECT/CT Sources HEGL-0133 *(Optional)*	Bi- Annual replenishment of the 10 mCi Gd-153 line source at the expiration of its useful life (2 years).
SPECT/CT Sources PHI-0124 *(Optional)*	Annual replenishment of 50µCi Co-57 point source at the expiration of its useful life (1 year).
syngo Evolve for Artis Q/Q.zen	At least 1 software upgrade. 1 hardware upgrade to the main system (IVS). syngo MultiModality Workplace and refurbished systems excluded in all cases.
syngo Evolve for Artis zee family	At least 1 software upgrade. 1 hardware upgrade to the main system if necessary to enable the software upgrade. syngo MultiModality Workplace and refurbished systems excluded in all cases.
syngo Evolve Program	Siemens' obsolescence protection program, providing periodic updates and upgrades to the existing system's software and/or hardware. Helps keep Customer investments up-to-date, and increases the system's imaging capabilities as new developments emerge. Provides prolonged system life and optimized system capabilities within a fixed budget.
syngo Remote Assist Hotline Support	Allows Siemens to connect to your Siemens Imaging Console and provides you with direct real time support. Available for Tim Class MRI Systems with software version VB17 or VC13, AND Definition Class CT Systems. Requires a Siemens remote service connection.
syngo Remote Assist US	syngo Remote Assist (sRA): Connects customer clinical staff to our applications specialists at the Siemens Customer Care Center for direct, real-time interactive apps support. Requires SRS connection and customer permission to connect via encrypted secure connection to ensure data privacy. Not available for all systems. Minimum software version required.
Technical Phone Support	Direct access to specialists at the Siemens Customer Care Center for fast diagnosis and technical support. Technical Phone Support is available to Siemens customers over the telephone, 24 hours a day, 7 days a week.
Technical Phone Support (24X7)	Direct access to specialists at the Siemens Uptime Service Center for fast diagnosis and technical support.
Tier 1 Transducer Pooling	Annual Tier 1 Transducer allowances may be shared across all functional locations that provide for pooling of Tier 1 Transducers. Annual allowances may not be applied to any prior or subsequent contract year.
Transducer Tier 1 (WFD)	Covers replacement of Tier 1 Transducers up to the quantity specified per year (as shown on Exhibit A) for Wear, Failure or Damage. Damage examples include: damage to the Lens (e.g. gouges, tears, cuts, and cracks) and damage to the Cable Jacket (e.g. cuts, kinks). If this coverage is not purchased, Tier 1 Transducer replacements are chargeable and may cost up to approximately $12,000 each after any applicable exchange credit has been applied.

Deliverables	Description
Travel	Includes travel time for Customer Service Engineer to and from Customer's site. Subject to change to reflect currently prevailing rates, if occurring outside of the Principal Coverage Period indicated.
Tube Coverage for both tubes	Covers replacement of both X-ray tubes, if necessary.
UM Advanced Report AX	Siemens Utilization Management provides you with system-specific usage data, which is collected from your system. This detailed data enables you to leverage your system's full potential. Advanced Reporting includes reports on system usage and performance as well as detailed reports on body region studies and provides anonymous benchmark information about comparable systems at other facilities operating in similar environments. These reports are accessible through our customer portal LifeNet.
UM Advanced Report MR	Siemens Utilization Management provides you with system-specific usage data, which is collected from your system. This detailed data enables you to leverage your system's full potential. Advanced Reporting includes reports on system usage and performance as well as detailed reports on body region studies and provides anonymous benchmark information about comparable systems at other facilities operating in similar environments. These reports are accessible through our customer portal LifeNet.
UM BASIC Report MI	Siemens Utilization Management provides you with system-specific usage data, which is collected from your system. This detailed data enables you to leverage your system's full potential. These reports are accessible through our customer portal LifeNet.
Unlimited Exams	Coverage includes an unlimited number of Patient Exams per year.
Updates	Modifications or reliability enhancements to equipment. Includes two types: Mandatory (safety and performance-related update instructions) and Non-mandatory (reliability-related service instructions). Does not include enhancements to the operating system or additional functionality.
Uptime Guarantee	Siemens guarantees that the Equipment will function at the minimum Uptime Performance level as specified on Exhibit A. System availability is calculated over a 12-month period, calculated over the Principal Coverage Period. Siemens Remote Services (SRS) connection via VPN broadband is required. (See Uptime Guarantee of General Terms and Conditions for further details.)
Wallstand	Includes coverage for repair of the Wall Stand.
wl-FD Detector Coverage WFD	Covers the replacement of the portable frontend wl-FD detector for Wear, Failure or damage. Detector batteries are included.
X-Ray Tube Coverage Unlimited	Warranty - Unlimited tube coverage provided on all CT x-ray tubes. After warranty - Annual x-ray tube coverage is unlimited scan seconds.

Siemens Medical Solutions USA, Inc. General Terms and Conditions

1. Scope
For the term set forth on the first page hereof under the heading "Contract Duration", Siemens will provide remedial maintenance service on the equipment described on the preceding pages hereof (the "Equipment") when requested by the Customer, as well as planned maintenance inspections, when scheduled, as further described in the Glossary section attached hereto, in order to keep the Equipment operating in accordance with the manufacturer's specifications. Siemens will make every effort to respond to service calls at a mutually agreed upon arrival time consistent with the provisions cited in Section 2. In connection with the provision of Equipment maintenance services, Siemens may take photographs or other images of the Equipment or components thereof in order to expedite the completion of repairs, provided that any such photographs shall not include any patients, employees or agents of the Customer and further provided that such photographs and images will only be used in order for Siemens to carry out its duties and responsibilities hereunder.

In the event that (i) the term of this Agreement does not include the Equipment warranty period (as indicated on the first page hereof under the heading "Contract Duration"), or (ii) the term of this Agreement does not commence immediately upon the expiration of the Siemens warranty, or (iii) the Equipment was serviced prior to commencement of the term by anyone other than Siemens or an authorized Siemens dealer or service provider, or (iv) the Equipment was moved from its original location or is not connected to its original power supply (other than portable or mobile Equipment), then the Equipment is subject to inspection by Siemens to determine if it is in good operating condition prior to the commencement of services under this Agreement. Any inspection as well as any repairs or adjustments deemed necessary by Siemens during such inspection shall be made at Siemens' per-call rates and terms then in effect and shall include charges for parts, with all such repairs or adjustments to be completed prior to the commencement of service under this Agreement.

If this Agreement includes any training courses or other educational offerings, such training courses or other offerings may consist of on-site training or consultation at the Customer site, a Siemens training facility or via conference call or net meeting, self-study or computer based training, or other arrangements, as further described in Exhibit A and the Glossary. In some cases, tuition charges will cover travel and lodging for off-site training, and in other cases Customer will be responsible for all travel and lodging costs. Details of the training are provided on Exhibit A and the Glossary.

2. Principal Coverage Period (PCP)
Service and maintenance will be provided during the principal coverage period ("PCP") as defined on Exhibit A, excluding the following holidays: New Years Day, Memorial Day (observed), Independence Day, Labor Day, Thanksgiving Day, Christmas Day. If one of the foregoing holidays falls on a Saturday, then the holiday will be observed on the previous Friday, and if the holiday falls on a Sunday, the holiday will be observed on the following Monday. Unless an extended hours coverage option has been selected, labor and travel required outside the PCP will be charged at Siemens' per-call rates and terms then in effect.

3. Replacement Parts
Siemens will supply at its own expense, necessary parts, except as indicated in the Glossary section, provided replacement of the parts is required because of normal wear and tear or otherwise deemed necessary by Siemens and further provided that the Siemens-manufactured parts are available from the factory. All Parts will be new, standard parts, or used, reworked or refurbished parts that comply with applicable performance and reliability specifications. Exchange parts removed from the Equipment shall become the property of Siemens unless such exchange parts constitute "hazardous wastes", "hazardous substances", "special wastes" or other similar materials, as such terms are defined by any federal, state or local laws, rules or regulations, in which case, at the option of Siemens, the exchange parts shall remain the property of the Customer and shall be disposed of by the Customer in strict compliance with all applicable laws, rules and regulations.

4. Planned Maintenance (PM)
Planned maintenance will be carried out according to the manufacturer's recommended schedule. Planned maintenance generally includes checking mechanical and electrical safety, lubrication, functional testing and adjusting for optimum performance as specified in the detailed planned maintenance work plan.

5. Software Maintenance
Whenever the Equipment covered by this Agreement utilizes Siemens' operating system software, Siemens will provide all maintenance and commercially available updates for such operating system software as part of this Agreement. Such updates will solely enhance previously purchased capacities of the Equipment. Operating system software upgrades that provide new features or capabilities or that require hardware changes will be offered to Customer when commercially available and at purchase prices established by Siemens. In addition, some upgrades may require applications training performed by Siemens' personnel that will be offered at Siemens' rates and terms then in effect. Siemens retains the sole right to determine whether an upgrade requires such training.

Nothing in this Agreement shall in any way grant to Customer any right to or license in any diagnostic service software utilized by Siemens in servicing the Equipment. Such service software is and remains the property of Siemens and is available to Customer pursuant to the terms and conditions of a separate diagnostic materials license agreement, which may require payment of a license fee. This service software shall be disabled by Siemens upon cancellation or termination of this Agreement.

6. Equipment; Location; Remote Access
The Equipment covered under this Agreement is limited to the Siemens furnished Equipment described on the face sheet(s). The Equipment shall not be moved to another location unless Customer obtains the prior written consent of Siemens, subject to the following exceptions (i) portable Equipment (e.g., Ultrasound equipment, but not including any equipment that is housed in a mobile vehicle, van or trailer) may be moved to other locations within the same facility, so long as the Customer informs Siemens of the location of the Equipment when Siemens is scheduled to provide on-site service; (ii) if Equipment is located in a trailer, van or other form of mobile vehicle, the Equipment may be moved from the Equipment Location identified on Exhibit A, provided, however, that Siemens shall not be required to service such Equipment, and the Response Time and Uptime Performance Guarantees (if any) shall not apply, if either (a) the Customer does not notify Siemens at least one (1) month in advance of the Equipment's mobile route, or (b) the Equipment is moved more than 25 miles from the original Equipment Location; and (iii) if fixed Equipment is moved to any other location within the Customer's facility, then either (a) the Customer will engage Siemens to relocate the Equipment, at Siemens' then current rates and charges, or (b) if Siemens does not perform the services necessary to relocate the Equipment, then Siemens may suspend services with respect to such Equipment until Siemens performs an inspection of the Equipment, at the Customer's cost, to determine if any repairs are necessitated as a result of any such relocation (in which case the Customer shall be separately charged for such repairs, including parts and labor, at Siemens' rates and charges then in effect).

Siemens service personnel will be given full and free access to the Equipment to perform inspections and service/maintenance on the Customer's premises, and will make specific appointments for such maintenance. If the Equipment is not made available at the appointed time, waiting time beyond a reasonable allowance will be charged at Siemens' per-call rates and terms then in effect.

Customer shall provide Siemens with both on-site and remote access to the Equipment. The remote access shall be provided through the Customer network as is reasonably necessary for Siemens to provide services under this Agreement. Remote access will be established through a broadband internet based connection to either a Customer owned or Siemens provided secure end-point. The method of connection will be a Peer-to-Peer VPN IPsec tunnel (non-client based) with specific inbound and outbound port requirements.

In the event the Customer fails to provide or maintain the remote access connection for any Proactive Service Agreement (e.g., Pinnacle, Select, Essential, as identified in Exhibit A), then Siemens shall have the option to terminate this Agreement. In addition, in accordance with the terms of Section 22 hereof, any Uptime Performance Guarantee shall be void if the remote access connection is not provided and available 24 hours per day, 7 days a week.

7. Agreement Term; Price; Payment Terms
This Agreement shall be in effect for the period stated on the first page of this Agreement.

For the basic services to be provided by Siemens under the terms of this Agreement, Siemens shall send invoices to the Customer and payments shall be made in advance based on the payment frequency shown in Exhibit A under "Payment Frequency".

Invoices for all amounts due under this Agreement shall be sent to the Customer by regular U.S. mail, postage prepaid, at the address set forth on the first page hereof under "Bill To".

All payments to be made by Customer under this Agreement are due net thirty (30) days from the invoice date. Past due payments shall bear interest at the rate of 1½% per month.

8. Causes for Exclusion/Separate Charges
This Agreement specifically excludes labor, parts and expenses necessary to repair Equipment:

- damaged by fire, accident, misuse, abuse, negligence, improper application or alteration or by a force majeure occurrence as described in Section 17 hereof, or by the Customer's failure to operate the Equipment in accordance with the manufacturer's instructions or to maintain the recommended operating environment and line conditions;

- defective due to unauthorized attempts to repair, relocate, maintain, service, add to or modify the Equipment by the Customer or any third party or due to the attachment and/or use of non-Siemens supplied parts, equipment or software without Siemens' prior written approval (and if the Customer or a third party modifies the Equipment, then Siemens may remove such Equipment from coverage under this Agreement

unless the Customer restores the Equipment to the manufacturer's published specifications);

• defective due to any repair or service of the Equipment by the Customer or any third party prior to the commencement of the term of this Agreement;

• which failed due to causes from within non-Siemens supplied equipment, parts or software including, but not limited to, problems with the Customer's network;

• which is worn out and cannot be reasonably repaired due to the unavailability of spare parts from the original equipment manufacturer; or

• which is a transducer or probe and which is damaged or defective, or which failed, due to any of the foregoing causes or due to improper cleaning, disinfecting or TEE bite marks.

If Siemens is called upon to service or repair Equipment which falls under this Section 8, a separate invoice will be issued for labor, parts and expenses at Siemens' rates and terms then in effect.

This Agreement does not entitle the Customer to services related to information technology, patient and imaging workflow design and analysis, or problem diagnosis. Siemens' responsibility under this Agreement does not extend beyond the outbound or inbound sockets of the Equipment. In addition, changes, adjustments, additions or repairs required to or with respect to the Equipment resulting from issues, matters, items or concerns that are the responsibility of the Customer, such as changes related to Customer's network infrastructure, are not covered by this Agreement. This may include, but is not limited to, network IP address changes. Although the Equipment may have limited short term storage capacity, the storage of images, both patient and QA images, is the responsibility of the Customer.

If Siemens offers a Network Assistance option for the Equipment and the Customer purchases this option as indicated on Exhibit A, then Siemens shall assist the Customer in its efforts to identify the cause of any network or connectivity problems which may affect the operation of the Equipment; provided, however, that the price for this option does not include the cost of any repairs (labor, parts, etc.) to remedy such problems, which shall be the sole responsibility of the Customer. If the Customer does not purchase this option, or if this option is not offered by Siemens, then any assistance provided by Siemens to the Customer with respect to any network or connectivity issues shall require a P.O. from the Customer and shall be separately billed to the Customer at Siemens' then current rates and charges.

9. Default
Customer shall be in default under this Agreement upon: (i) a failure by Customer to make any payment due Siemens within ten (10) days of receipt of notice from Siemens that the payment was not made within the applicable payment period; (ii) a failure by Customer to perform any other obligation under this Agreement within thirty (30) days of receipt of notice from Siemens; (iii) a failure to grant Siemens access to the Equipment as set forth in Section 6 of this Agreement; (iv) a default by Customer or any affiliate of the Customer under any other obligation to or agreement with Siemens, Siemens Financial Services, Inc. or Siemens Medical Solutions Health Services Corporation, or any assignee of the foregoing (including but not limited to, a promissory note, lease, rental agreement, license agreement or purchase contract); or (v) the commencement of any insolvency, bankruptcy or similar proceedings by or against the Customer (including any assignment by Customer for the benefit of creditors). Upon the occurrence of any event of default hereunder, Siemens may, in addition to any and all other remedies available under law, elect to: (i) immediately cease providing services under this Agreement and any and all other agreements between the parties, or suspend any training courses or educational offerings provided under this Agreement, until the default is cured or corrected, (ii) terminate this Agreement, in which case Customer shall pay to Siemens (a) all amounts due under this Agreement through the effective date of termination, (b) as liquidated damages and not as a penalty, an amount equal to 25% of the remaining payments due under this Agreement from the date of termination through the scheduled expiration of the term of this Agreement, and (c) all costs and expenses of collection, including without limitation reasonable attorneys' fees and court costs incurred by Siemens as a result of the Customer's default, and/or (iii) commence collection actions (including court actions) for all sums due under this Agreement. All rights and remedies available to Siemens hereunder, by law or equity, shall be cumulative and there shall be no obligation for Siemens to exercise a particular remedy.

In the event that Customer cures all defaults hereunder, then prior to resumption of the Equipment maintenance services under this Agreement, Siemens may inspect the Equipment to determine if it is in good operating condition. Such inspection shall be charged to the Customer at Siemens' per-call rates and terms then in effect. Any repairs or adjustments which Siemens determines are required due to (i) the use of any non-Siemens parts, (ii) the repair or service of the Equipment by the Customer or any third party during the suspension of services by Siemens, or (iii) any of the exclusions from coverage set forth in Section 8 of this Agreement, shall be charged to the Customer at Siemens' rates and terms then in effect and shall include charges for parts, with all such repairs or adjustments to be completed prior to the resumption of service under this Agreement.

10. Limitation of Liability
Siemens' entire liability and Customer's exclusive remedy for any direct damages incurred by the Customer from any cause whatsoever, and regardless of the form of action, whether liability in contract or in tort, arising under this Agreement or related hereto, shall not exceed, as applicable: (i) an amount equal to the Annual Agreement Price (in effect when the cause of action arose) for the specific item of Equipment under this Agreement that caused the damage or is the subject matter of, or is directly related to, the cause of action, or (ii) the amount paid by Customer to Siemens under this Agreement for the particular training course or educational offering that is the subject matter of the claim. The foregoing limitation of liability shall not apply to claims by Customer or third parties for bodily injury or damage to real property or tangible personal property (including damage to the Equipment covered by this Agreement) caused solely and directly by the gross negligence or willful misconduct of Siemens. In addition, Siemens shall have no liability hereunder to Customer to the extent that Customer's or any third party's acts or omissions contributed in any way to any loss it sustained or to the extent that the loss or damage is due to a force majeure occurrence as described in Section 17 hereof or any other cause beyond the reasonable control of Siemens.

THIS IS A SERVICE AGREEMENT. WITHOUT LIMITING THE LIMITATION OF LIABILITY SET FORTH IN THE PRECEDING PARAGRAPH, SIEMENS EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT WILL SIEMENS BE LIABLE FOR ANY LOST PROFITS, LOST SAVINGS, LOST REVENUES, LOSS OF USE OR DOWNTIME (EXCEPT AS OTHERWISE PROVIDED HEREIN), LOST DATA, OR FOR ANY INDIRECT, INCIDENTAL, UNFORESEEN, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR ANY OTHER THEORY OR FORM OF ACTION, EVEN IF SIEMENS HAS BEEN ADVISED OF THE POSSIBILITY THEREOF, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE USE OR PERFORMANCE OF THE EQUIPMENT.

11. Notices
Except for the issuance of invoices as set forth in Section 7 hereof, all notices required to be provided hereunder shall be in writing and shall be sent by overnight delivery via a nationally recognized delivery service or by certified or registered mail, postage prepaid, to Siemens at the address set forth on the first page of this Agreement and to the Customer at the address set forth under "Bill To" on the first page of this Agreement. Notice given in compliance with this Section 11 shall be sufficient for all purposes under this Agreement, and such notice shall be effective when sent. Either party may change its notice address only if notification is sent in writing pursuant to this Section 11.

12. Governing Law; Waiver of Jury Trial
This Agreement shall be governed by the laws of the Commonwealth of PA. TO THE EXTENT NOT PROHIBITED BY LAW, THE PARTIES WAIVE ALL RIGHTS TO A JURY TRIAL IN ANY LITIGATION ARISING FROM OR RELATED IN ANY WAY TO THIS AGREEMENT OR THE TRANSACTION CONTEMPLATED HEREBY.

13. Government Access Clause
Until the expiration of four (4) years after the furnishing of any services under this Agreement, Siemens shall make available upon written request of the Secretary of the Department of Health and Human Services, the Comptroller General, or any of their duly authorized representatives, this Agreement and the books, documents and records of Siemens which are necessary to certify the nature and extent of costs incurred under this Agreement. If Siemens carries out any of the duties of this Agreement through a subcontract with a value of $10,000 or more over a 12 month period with a related organization, such subcontract shall include a clause to the effect that until the expiration of four (4) years after the furnishing of any services under the subcontract, the related organization shall make available upon written request of the Secretary of the Department of Health and Human Services, the Comptroller General, or any of their duly authorized representatives, the subcontract and the books, documents and records of the related organization that are necessary to certify the nature and extent of costs incurred under that subcontract.

This provision shall apply if and solely to the extent that Section 1861 (v) (1) (i) of the Social Security Act applies to this Agreement.

14. Damages, Costs, And Fees
In the event that any dispute or difference is brought arising from or relating to this Agreement or the breach, termination, or validity thereof, the prevailing party shall not be entitled to recover from the other party punitive damages. The prevailing party shall be entitled to recover from the other party all reasonable attorneys fees and collection agency fees incurred, together with such other expenses, costs and disbursements as may be allowed by law.

15. Severability; Headings
No provision of this Agreement which may be deemed invalid, illegal or unenforceable will in any way invalidate any other portion or provision of this Agreement. Paragraph headings are for convenience only and will have no substantive effect.

16. Waiver
No failure, and no delay in exercising, on the part of any party, any right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right preclude the further exercise of any other right.

17. Force Majeure
Siemens will not be liable to Customer for any failure to fulfill its obligations under this Agreement due to causes beyond its reasonable control and without its fault or negligence including, but not limited to, governmental laws and regulations, acts of God or the public, war or other violence, civil commotion, blockades, embargoes, calamities, floods, fires, earthquakes, explosions, accidents, storms, strikes, lockouts,

work stoppages, labor disputes, or unavailability of labor, raw materials, power or supplies. In addition, in the event of any determination pursuant to the provisions of a collective bargaining agreement between the Customer and any labor union representing any employees of the Customer preventing or hindering the performance of any of the obligations of Siemens under this Agreement, or determining that the performance of any such obligations violates provisions of that collective bargaining agreement, or in the event a trade union, or unions, representing any of the employees of the Customer otherwise prevents Siemens from performing any such obligations, then Siemens shall be excused from the performance of such obligations unless the Customer makes all required arrangements with the trade union, or unions, to permit Siemens to perform the work. The Customer shall pay any additional costs incurred by Siemens that are related to any labor dispute(s) that involve the Customer.

18. Confidentiality

Siemens and the Customer shall maintain the confidentiality of any information provided or disclosed to the other party, its employees or agents (a "receiving party") relating to the business, customers and/or patients of the disclosing party, including but not limited to know-how, technical data, processes, software, techniques, developments, inventions, research products and plans for future developments, proprietary matters of a business or technical nature, as well as this Agreement and its terms (including the pricing and other financial terms under which the Customer will be obtaining the services hereunder). Confidential Information shall also include all written materials (including correspondence, memoranda, manuals, training materials, notes and notebooks) and all computer software, models, mechanisms, devices, drawings or plans which may be disclosed or made available embodying Confidential Information. All Confidential Information shall be and remain the sole and exclusive property of the disclosing party. Each party shall use reasonable care to protect the confidentiality of the information disclosed, but no less than the degree of care it would use to protect its own confidential information, and shall only disclose the other party's confidential information to its employees and agents having a need to know this information. Confidential Information shall not include any information or data which (i) is or becomes public knowledge (through no fault of the receiving party or any of its employees or agents), (ii) is made available to the receiving party by an independent third party without any obligation of confidentiality, (iii) is already in the receiving party's possession at the time of receipt from the disclosing party (as such prior possession can be properly demonstrated by it), or (iv) is required by law to be disclosed, provided that the receiving party gives the disclosing party advance notice of the requirement for disclosure so that the disclosing party can take whatever action it deems necessary to protect the disclosure of its Confidential Information. In addition, this confidentiality provision shall not apply to any action brought by either party to enforce the terms of this Agreement against the other party.

Any unauthorized use, disclosure or misappropriation of any Confidential Information by the receiving party in violation the foregoing may result in irreparable and continuing damage to the disclosing party; in the event of such breach, the disclosing party shall be entitled to obtain immediate injunctive relief and any other relief or remedies to which it may be entitled. The receiving party waives any requirement that the disclosing party post a bond or other security in connection with any petition filed by the disclosing party for injunctive relief. In the event that a court of competent jurisdiction determines that the receiving party has breached this provision, then the receiving party shall reimburse the disclosing party for the costs of any court proceedings and all reasonable attorney's fees.

19. End of Support Announcement

Notwithstanding anything to the contrary contained herein, in the event that Siemens makes a general announcement that it will no longer offer service agreements for an item of Equipment or components thereof, or provide a particular service agreement option or feature, whether due to the unavailability of spare parts or otherwise (an "EOS Announcement"), then upon no less than twelve (12) months prior written notice to the Customer, Siemens may remove any affected Equipment, components, options or features from coverage under this Agreement, with a corresponding adjustment of the Annual Agreement Price. In addition, at the end of this twelve (12) month period, the Customer may either remove the affected Equipment components, options or features from coverage under this Agreement or request that Siemens provide service or parts on a time and materials basis only, at Siemens' rates and terms then in effect, for any Equipment, components, options or features subject to an EOS Announcement.

20. Removal of Equipment from Coverage

The Customer may remove Equipment from coverage under this Agreement at any time upon no less than thirty (30) days prior written notice to Siemens if the use of the Equipment is permanently discontinued and the Equipment is removed from service. There is no fee for this cancellation. Prorated credit will be issued for any advance payments made by the Customer for the period after the effective date of removal (based on the notice requirement). In addition, if the Customer sells or otherwise transfers any of the Equipment to a third party and the Equipment remains installed and in use at the same location, but such third party does not assume the obligations of the Customer under this Agreement or enter into a new service agreement with Siemens with a term at least equal to the unexpired term of this Agreement, then the Customer may terminate this Agreement with respect to such Equipment upon no less than thirty (30) days prior written notice to Siemens, in which case the Customer shall pay to Siemens (i) all amounts due under this Agreement through the effective date of termination (based on the notice requirement) and (ii) as liquidated damages and not as a penalty, an amount equal to 25% of the remaining payments due under this Agreement for such Equipment from the date of termination through the scheduled expiration of the term of this Agreement.

21. HIPAA

To the extent required by the provisions of the Health Insurance Portability and Accountability Act ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and any regulations promulgated thereunder, Siemens does hereby assure Customer that it will appropriately safeguard Protected Health Information (as defined under HIPAA) made available to or obtained by Siemens pursuant to this Agreement or any Service Schedule ("PHI"). Without limiting the obligations of Siemens otherwise set forth in this Agreement or imposed by applicable law, Siemens agrees to comply with applicable requirements of law relating to PHI and with respect to any task or other activity Siemens performs on behalf of Customer. Specifically, Siemens shall:

(a) not use or disclose PHI other than as permitted or required by this Agreement or as required by law, and limit any use or disclosure of PHI to a limited data set or the minimum necessary to accomplish the intended purpose of such use or disclosure;

(b) implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of any electronic PHI that it creates, receives, maintains or transmits on behalf of the Customer, and comply, where applicable, with the HIPAA Security Rule with respect to such electronic PHI, and otherwise use appropriate safeguards to prevent use or disclosure of PHI, other than as provided for by this Agreement;

(c) report to Customer any use or disclosure of PHI not provided for by this Agreement, and report any security incident, of which Siemens becomes aware;

(d) in accordance with applicable HIPAA and HITECH requirements, ensure that any subcontractors or agents to whom Siemens provides PHI received from, or created or received by Siemens on behalf of, Customer agree to essentially the same restrictions and conditions that apply to Siemens with respect to PHI and implement reasonable and appropriate safeguards with respect to PHI;

(e) upon Customer's written request, make PHI available to the Customer as necessary for Customer to respond to individuals' requests for access to PHI about them, provided that the PHI in Siemens' possession constitutes a Designated Record Set and Siemens has been specifically engaged by Customer to so maintain and service such PHI on behalf of Customer;

(f) upon Customer's written request, make PHI available to Customer for amendment and incorporate any amendments to the PHI in accordance with applicable law, provided that the PHI in Siemens' possession constitutes a Designated Record Set and Siemens has been specifically engaged by Customer to so maintain and service such PHI on behalf of Customer;

(g) make available to Customer the information in its possession required to provide an accounting of disclosures of PHI as required by applicable law;

(h) mitigate, to the extent practicable, any harmful effect that is known to Siemens of a use or disclosure of PHI by Siemens in violation of the requirements of this Agreement or of law;

(i) provide notice of a breach of unsecured PHI to Customer without unreasonable delay, and in no case later than thirty (30) days after discovery of a breach. The notification shall include, to the extent possible, the identification of each individual whose unsecured PHI has been, or is reasonably believed by Siemens to have been, accessed, acquired, used, or disclosed. Siemens shall provide Customer with any other available information that Customer is required to include in notification to the individual under applicable law;

(j) make Siemens' internal practices, books, and records relating to the use and disclosure of PHI received from Customer available to the Secretary of the United States Health & Human Services for purposes of determining Customer's compliance with applicable law; and

(k) upon expiration or termination of this Agreement, return to Customer or destroy all PHI in its possession as a result of this Agreement and retain no copies of PHI, if it is feasible to do so. If return or destruction is not feasible, Siemens agrees to extend all protections contained in this Agreement to Siemens' use and/or disclosure of any retained PHI, and to limit further uses and/or disclosures to the purposes that make the return or destruction of the PHI infeasible.

Siemens agrees that it will negotiate in good faith an amendment to this Agreement if, and to the extent required by, the provisions of HIPAA and regulations promulgated thereunder, in order to assure that this Agreement is consistent therewith.

22. Uptime Performance Guarantee [DOES NOT APPLY TO EVERY SERVICE AGREEMENT]

For any Equipment that includes an Uptime Guarantee as specified in Exhibit A, Siemens guarantees that the Equipment will function at the minimum Uptime Performance (defined below) level set forth in Exhibit A (computed as described below).

"Uptime Performance" is defined as the capability of the Equipment to be utilized to treat or diagnose patients. The Equipment will be considered to be operational (i.e., it will not be considered to be "down"): (a) unless it cannot be utilized to treat or diagnose patients (room down); (b) if Siemens is prepared to perform maintenance services to make the Equipment operational but such service is refused by the Customer or is deferred by the Customer until a later time or date; (c) if the Equipment is not otherwise made available to Siemens' service engineers; (d) if the Equipment is down is due to, associated with, or caused by (i) misuse, negligence, or operator error, (ii) inadequate environmental conditions (not conforming with the environmental specifications provided by Siemens), including temperature and humidity, line power exceeding Siemens' requirements of voltage, frequency, impulses or transients, (iii) any of the exclusions set forth in Section 8 hereof, or (iv) acts of God or other force majeure events described in Section 17 hereof; or (e) during periods in which Siemens is performing scheduled or planned maintenance, changing high-vacuum components, and installing updates and/or upgrades. If the Equipment is not operational, then the Customer must immediately notify the

Siemens Customer Care Center (24-hour Service Call Dispatch Center). Downtime will not commence until such notification is given to Siemens.

For purposes of calculating the Uptime Performance level percentage, such computation shall be made over the PCP, to include any extended coverage hours as indicated on Exhibit A. The Equipment's Uptime Performance shall be calculated to comply with the above guidelines on a rolling 12 month basis, with the first such calculation to be made at the end of the first post-warranty year of the term of coverage. If the Equipment's Uptime Performance level is found to be less than the guaranteed percentage, as computed in accordance with the above guidelines, Siemens will provide a credit to the Customer against the next monthly invoice equal to 1-month Annual Agreement Price for the particular item of Equipment that does not meet the Uptime Performance guarantee. The foregoing states Siemens' entire obligation and liability, and the Customer's sole remedy, for Siemens' failure to meet the Uptime Performance Guarantee.

In order for the Uptime Performance Guarantee to be effective, the Customer must place all calls for service through the Siemens Customer Care Center and must accept all Technical Assistance that is offered by Siemens, including, but not limited to, telephone support and remote diagnostics. For any period of time that the Customer does not seek and accept Technical Assistance from Siemens, then the Equipment shall be considered to be operational.

The Customer agrees to allow connection to Siemens' Remote Service diagnostic equipment, where available, for the Equipment covered by this Agreement. Siemens Remote Service (SRS) is required for SRS-capable systems. The Uptime Performance Guarantee shall be void if the SRS connection is not provided and available 24 hours per day, 7 days a week.

23. Response Time Guarantee [DOES NOT APPLY TO EVERY SERVICE AGREEMENT]

Siemens guarantees that it shall meet any on-site response time as specified in Exhibit A for system "down" situations. Response time is measured from the time that the Customer notifies the Siemens Customer Care Center that a system is down. The response time only applies during the PCP, to include any extended coverage hours (if selected by the Customer), as indicated on Exhibit A. For example, a request for on-site service made at noon on a Monday (where the PCP is 8:00 a.m. through 5:00 p.m., Mondays through Fridays) will have a guaranteed arrival time of 4:00 p.m. on the same day for customers with a four (4) hour response time and a guaranteed arrival time of 11:00 a.m. on the next day for customers with an eight (8) hour response time guarantee. A request for on-site service made at 9:00 a.m. on a Saturday will have a guaranteed arrival time of noon on the next Monday for customers with a four (4) hour response time and 4:00 p.m. on that Monday for customers with an eight (8) hour response time guarantee. If a request for on-site service is made outside the PCP (to include extended coverage hours, if selected by the Customer), Siemens will use its best efforts to have a CSE on-site as soon as possible.

If Siemens responds to a request for on-site service during the PCP but its work to repair or service the Equipment continues after the expiration of the PCP (to include any extended coverage hours, if applicable), then any work outside the PCP will be billed to the Customer, unless any optional Continuous Effort coverage that is available for the Equipment has been purchased as part of this Agreement. Continuous Effort coverage ensures that in room/system down situations, work will continue past the contracted PCP (including any extended coverage hours, if applicable, and/or core modality specific hours, as defined in the Glossary, if applicable) at no additional charge until the system is repaired or 1:00 a.m., whichever comes first, as long as the CSE has been on-site for one hour or more before the end of the contracted PCP (including any extended coverage hours and/or core modality specific hours, if applicable).

The remedy provided by Siemens for its failure to meet the on-site response time guarantee is as follows: for each one (1) hour or portion thereof that Siemens fails to meet the on-site response time guarantee, the Customer will receive one (1) free hour of overtime after the PCP for that service event. The foregoing states Siemens' entire obligation and liability, and the Customer's sole remedy, for Siemens' failure to meet the Response Time Guarantee.

24. Non-Assignment

Customer may not assign this Agreement unless it obtains the prior written consent of Siemens, which consent shall not be unreasonably withheld or delayed. Siemens may not assign this Agreement unless it obtains the prior written consent of the Customer, which consent shall not be unreasonably withheld or delayed, except that Siemens may assign without Customer approval to any subsidiary or affiliated company or any of its authorized dealers.

25. Reimbursement for Training Courses and Educational Services Upon Early Termination

If this Agreement includes any training courses or other educational offerings and this Agreement is terminated or Equipment is removed from coverage as provided hereunder prior to the expiration of the term, then Siemens may bill the Customer for any balance due and owing with respect to those training courses or other educational offerings that have been completed by the Customer, and Customer agrees to pay the same.

26. Execution; Counterparts

If the Customer is a corporation or partnership, the person signing this Agreement on its behalf certifies that such person is an officer or partner thereof, that his or her action was duly authorized by appropriate corporate or partnership action, that such action does not conflict with the corporate charter or bylaws or the partnership agreement, as the case may be, or any contractual provision binding on such corporation or partnership, and that no consent of any stockholders to his or her action is required.

This Agreement may be executed in two (2) or more counterparts, each of which shall constitute an original document but all of which together shall constitute one and the same agreement.

27. Entire Agreement

This Agreement, including all exhibits and addenda attached hereto, constitutes the entire agreement between the parties relating to the subject matter hereof, and supersedes all prior and contemporaneous oral or written representations or communications between the parties. This Agreement may not be modified or amended, except in writing executed by the appropriate designated officers of the parties hereto. Any variation in the terms and conditions contained in this Agreement (including, but not limited to, the inclusion of Customer's own terms and conditions in any purchase order or other document issued by Customer in response to and/or referencing Siemens' quotation for service or this Agreement) shall not be deemed to be a part of this Agreement and shall not be binding upon Siemens unless set forth in writing and executed by the appropriate designated officer of Siemens. Subject to the limitations expressed herein, this Agreement will be binding upon and inure to the benefit of the parties hereto, their successors, legal representatives, and permitted assigns. Notwithstanding anything to the contrary contained herein, the provisions of Sections 9, 10, 12, 13, 14, 15, 16, 18, 21 and 25 shall survive the expiration or termination of this Agreement.

SIEMENS

CONTRACT ADDENDUM
Siemens Medical Solutions USA, Inc.
Purchase Agreement/Terms and Conditions of Sale

This Addendum shall become a part of each of the Service Agreements between **Siemens Medical Solutions USA, Inc.** ("Siemens" or "Seller") and **University Health System** ("Purchaser"), referenced as Siemens' Proposal numbers listed below. :

Proposal 1-AFU4RD
Proposal 1-AFU4JW

The applicable MedAsset GPO Master Service Terms and Conditions (MS03230) will govern all systems included on the Proposals listed above. For systems included in the Proposals above but not included on the MedAsset contract, Siemens will extend the MedAsset Terms exclusive of any administration fee paid by Siemens to MedAssets.

Siemens Medical Solutions USA, Inc.

By: _____

Name: Robert Finch

Title: Area Finance VP

Date: 9/30/14

By: _____

Name: _____

University Health System

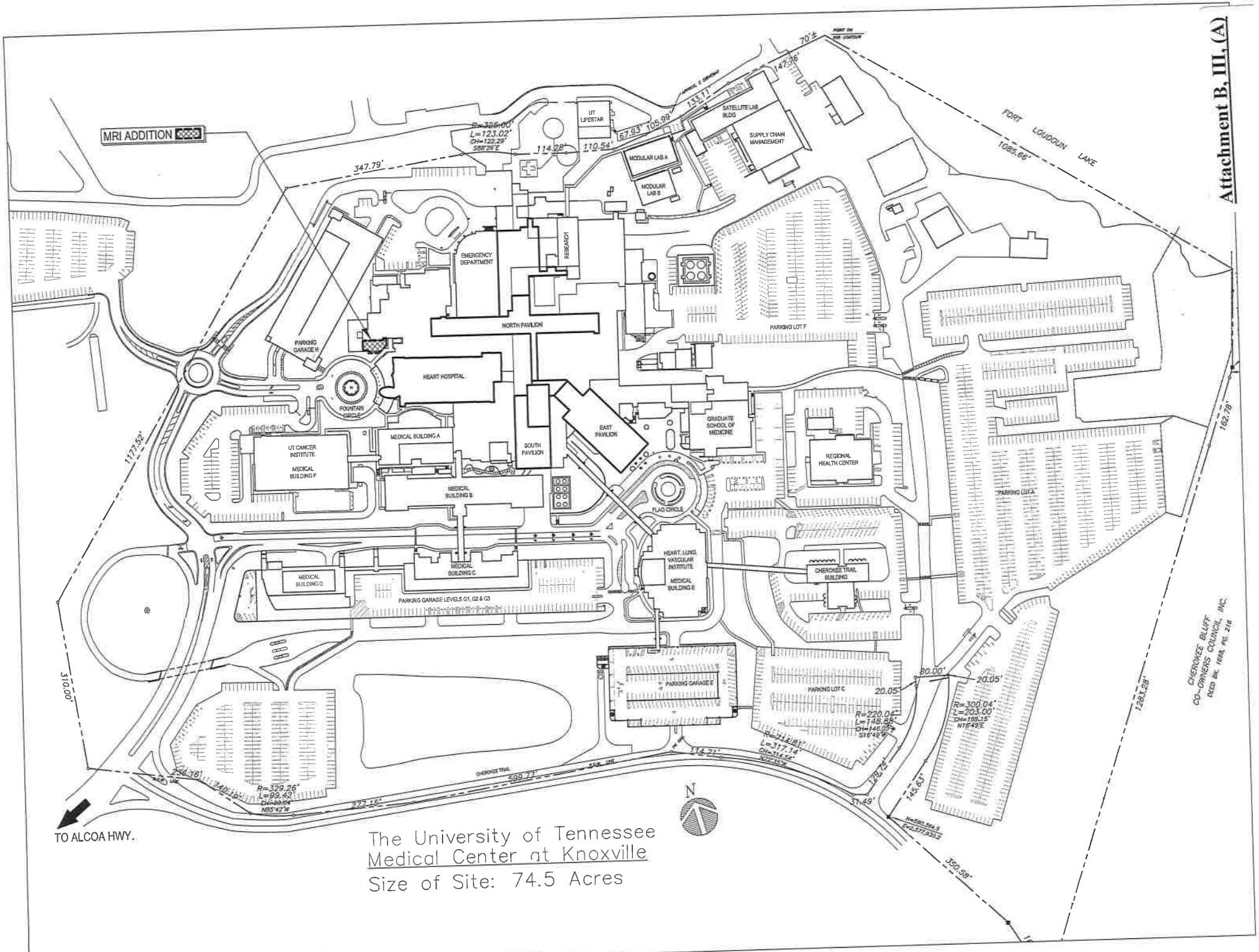
By: _____

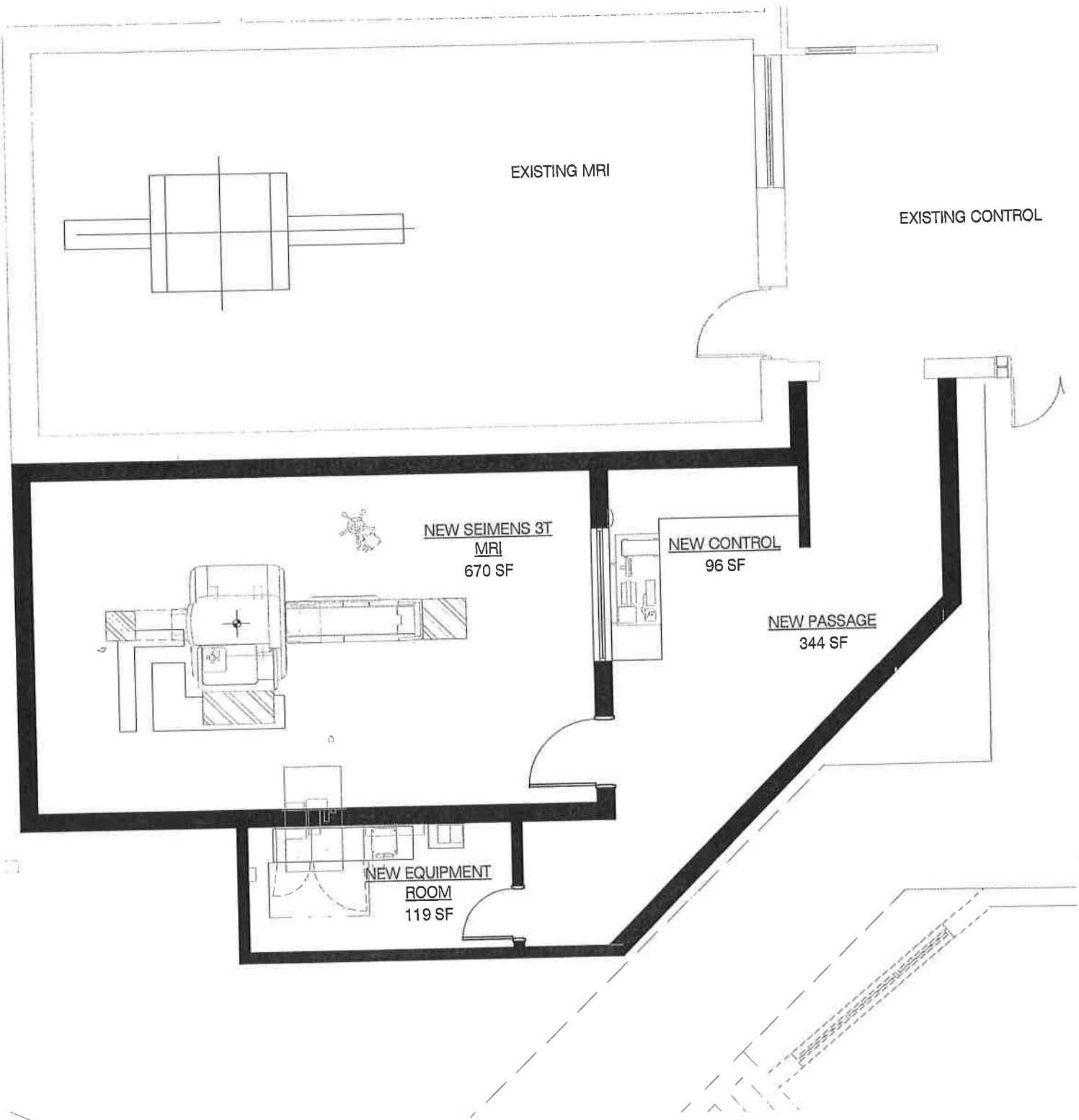
Name: Ron Collins

Title: VP, Supply Chain

Date: 9/30/14

Attachment B, III, (A)





PROPOSED PARTIAL FLOOR PLAN 1

SCALE : 1/8" = 1'-0"

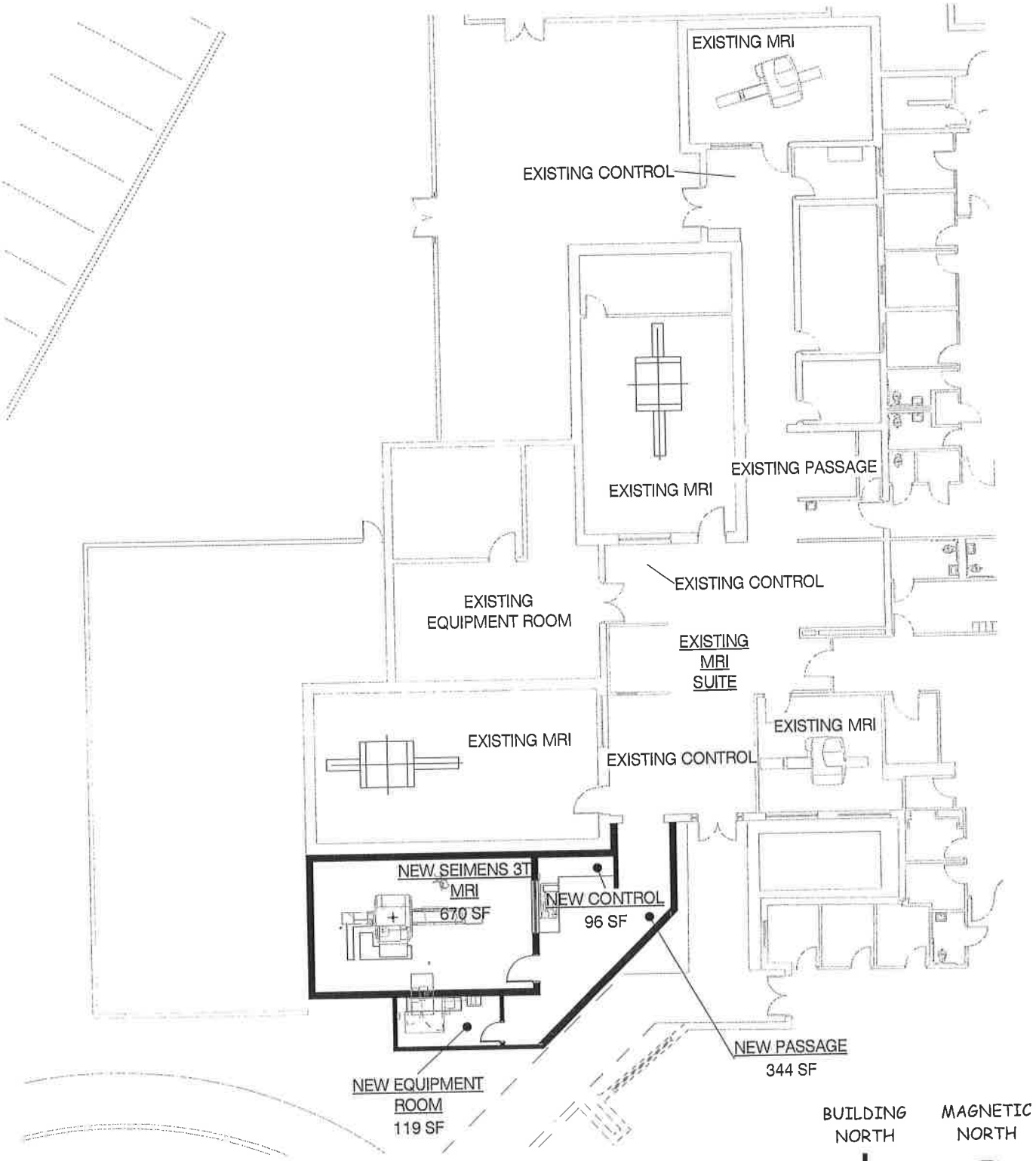
MBI

michael brady inc.
architecture.engineering.interiors.

UTMC MRI ADDITION

09/01/15

Attachment B, IV



PROPOSED FIRST FLOOR PLAN 1

SCALE : 3/64" = 1'-0"

MBI

michael brady inc.
architecture.engineering.interiors.

UTMC MRI ADDITION

9-1-2015

MBI
michael brady inc.
www.michaelbradyinc.com

September 10, 2015

Mr. Scott Castleberry
Director of Facilities Planning and Construction Services
The University of Tennessee Medical Center
1924 Alcoa Highway, Box 101
Knoxville, TN 37920-6999

Re: 3T MRI Addition
The University of Tennessee Medical Center
Knoxville, Tennessee
MBI Comm No: 150320

Dear Mr. Castleberry:

Based upon my professional judgement and current understanding of proposed MRI work scope and cost estimate, the estimated construction cost of $1,106,824.00 for this project seems reasonable and has an appropriate contingency.

We will be designing the 3T MRI to meet current codes enforced by State of Tennessee Department of Health, Office of Healthcare Facilities which includes the following:

2012 International Building Code
2012 NFPA including NFPA 101 Life Safety Code and 2010 NFPA 13
2012 International Plumbing Code
2012 International Mechanical Code
2012 International Gas Code
2012 International Fire Code
2011 National Electrical Code
2012 ADA Standards for Accessible Design
2010 FGI Guidelines for Design and Construction of Hospitals and Healthcare Facilities
Tennessee Department of Health Standards for Licensing Hospitals and Institutional General Infirmaries

The new MRI Addition will be designed to conform to requirements as directed by Siemens Medical Systems to meet the new 3T MRI specification. The preliminary MRI Room has been sized to provide adequate space per Siemens requirements.

Please contact me if further information or clarification is needed.

Sincerely,
Michael Brady Inc.

Jay Henderlight

Jay Henderlight, AIA
Principal
TN License No. 017136

Chattanooga
2034 Hamilton Place Blvd., Suite 140
Chattanooga, TN 37421

Ph:844-275-8080

Florida
100 Colonial Center Parkway, Suite 230
Lake Mary, FL 32746
Architecture: AA26000828
Interiors: IB26000665

www.michaelbradyinc.com

Knoxville
299 N. Weisgarber Road
Knoxville, TN 37919

Fax: 865-584-5213

Attachment C, I, Need, Guidelines, (1)

MRI-07. Special Emergency Protocol

In certain situations, an emergency situation may arise where it will be necessary for external responders to enter the MRI area. Such situations include but are not limited to:

- An anesthesia related emergency, as dictated by the CRNA on-site, requiring an Anesthesiologist to respond.
- Any patient code requiring the response of an external code team.
- Any event requiring security and/or fire responders to enter the MRI area.

In ALL cases, the following should occur in order:

1. Immediately call the appropriate code on the telephone at x-4999.
2. Summon medical imaging personnel in the immediate area to provide assistance.
3. The affected patient should be immediately removed from the MRI scan room into a Secure Area and all MRI staff should be alerted that emergency protocol is being initiated.
4. The main door into the MRI area should be placed on "bypass", allowing external responders to enter without the use of the ring-down phone.
5. After everyone has left the magnet room, lock the door. In addition, lock the doors to the adjacent rooms to prevent personnel responding to the emergency call from entering the restricted magnetic field area without proper screening.

MRI-08. Response to a Fire

A. If you discover a fire, follow UHS policy (**R.A.C.E**) for Fire Disaster in this order of response:
   1. Rescue
   2. Alert
   3. Confine
   4. Extinguish

B. There are two MRI compatible fire extinguishers located within MRI.

MRI-09. Safe Handling of Liquid Helium and Liquid Nitrogen

A. In their liquid states, helium and nitrogen are extremely cold and will freeze human tissues. Only authorized persons should fill liquid nitrogen and liquid helium containers. Use protective gloves. Injuries caused by freezing must be washed with water and treated as burns.

B. When they evaporate, helium and nitrogen form a cold mist. Helium rises, and nitrogen descends to ground level. While these gases are odorless, non-flammable, and non-poisonous, they pose the risk of suffocation because they displace the oxygen in the air. Always keep the ventilation running in the examination room and the storage room for liquid gases. A 5-times-per-hour exchange is required.

C. Never transfer liquid helium or liquid nitrogen into the magnet before the quench pipe exhaust is installed.

D. Use only containers made of nonferrous material in the magnet area. Ferrous containers are extremely dangerous to personnel and equipment. Special non-ferrous containers are available from liquid gas suppliers; they should be specified, and will be labeled as such.

MRI-10. Precautions for Emergency Equipment

A. Safe and effective use of electronic or other metallic emergency equipment may be impossible near the magnet.

B. Precautions should be taken and an appropriate plan should be established for use of emergency equipment outside the magnetic influence of the MR device if needed, especially for the following patients:

1. Those with an above-average high potential for cardiac arrest.
2. Those likely to develop seizures or claustrophobic reactions.
3. Heavily sedated, confused, or unconscious patients.
4. Those with whom no reliable communication can be maintained.

MRI-11. Electrical Safety

A. Use the MR imaging system only in a location that complies with all relevant legislation and recommendations concerning electrical safety in rooms used for medical purposes, e.g., U.S. National Code, VDE or IEC Standards concerning provisions for an additional protective earth (ground) terminal used for equipotential connection.

B. The MR imaging system may be operated on a continual 24-hour basis without adversely affecting its safety or performance.

C. Allow only authorized service personnel to replace or repair any component in the system. Special nonferrous tools may be required in certain areas.

D. Do not use equipment in the presence of flammable gases or vapors.

E. Keep water and other liquids out of the equipment, as they may cause short circuits or corrosion.

F. Remember that some disinfectants vaporize, forming potentially explosive mixtures. If such disinfectants are used, the vapor must be allowed to disperse before the equipment is returned to use.

G. The hardware and software prevent operation above specified levels, as outlined by the manufacturer.

MRI-12. Magnet Safety

MR imaging systems are provided with a magnet emergency stop button, which should be used only under the following conditions:

A. Forces due to the magnetic field are causing patient or personnel injury, requiring an immediate shutdown of the magnetic field.

B. A fire or other unexpected occurrence demands immediate action and entry to the examination room by emergency personnel.

C. Any other situation requires an immediate relief from the magnetic field effect as an alternative to the normal, controlled "ramp-down" of the magnetic field.

MRI-13. Cryogen Safety

A. The superconducting magnet used with the magnetic resonance imaging system requires cryogenic gases for cooling. The principle of the superconducting magnet is to create an environment that does not require a continuous electrical energy source. The windings in the core of the superconducting magnet must be cooled to less than 9.5 degrees Kelvin or -440 degrees Fahrenheit. This is accomplished by surrounding the windings with a dewar, which is essentially a sophisticated thermos bottle, and filling it with liquid helium, which has a boiling point of 4.2 degrees Kelvin. Liquid nitrogen has a boiling point of 77 degrees Kelvin and is also used to cool the magnet.

B. Cryogens require replenishment because of boil-off. This operation must be performed only by fully trained personnel following proper safety procedures. Safety glasses and heavy gloves are required. Refer to the safety documentation from the system vendor.

C. A quench of a magnet refers to the rapid loss of magnetic field. This can happen if the temperature of the magnet windings rises above 9.5 degrees Kelvin and the windings become electrically resistive. The magnet windings heat up and can cause vaporization of 100 to 150 liters of helium and nitrogen in less than one minute. These gases must vent directly to the outside.

MRI-14. Preventive Maintenance of MRI Scanner

technologist's call ends on Christmas Day night at 11 pm. The next technologist on call comes on call at 11pm Christmas Day night.

D. The MRI technologist on-call is expected to report for duty within 30 minutes of being paged or called by phone.

E. If the night or weekend MRI technologist is unable to report to work, the on-call MRI technologist will be responsible for covering the night or weekend shift hours and the team member will report to work at either 7:30am on the weekend or 11pm on the weeknights. If there are no exams on the inpatient work list, the on-call MRI technologist can go home after contacting the night/day resident, stroke team, and nursing supervisor and providing his/her contact information and informing them the technologist will now be on-call, after getting permission from the MRI Lead tech to leave.

F. If the on-call MRI technologist is the swing or second shift technologist, the team member is expected to cover the night shift hours and report to work the next day at their regularly scheduled shift, unless otherwise discussed with the MRI Lead tech. The MRI technologist may leave and be on-call if there are no patients on the work list that night and, the team member has called and discussed the decision with the MRI Lead tech. If there are no exams on the work list and the technologist has received permission to leave, the on-call MRI technologist can go home after contacting the night/day resident, stroke team, and nursing supervisor and providing his/her contact information and informing them the technologist will now be on-call.

G. If the on-call MRI technologist is a first shift MRI technologist, the team member will cover the midnight hours and may leave and be on-call if there are no patients on the work list that night and, the team member has called and discussed the decision with the MRI Lead tech. If the day shift team member is required to stay all night long, the team member will contact the MRI Lead tech so day shift coverage can be arranged and the team member will have the following day off, if possible. If there are no exams on the list, refer to the instructions in F. above to go home and be on-call.

MRI-24. Call Policy for Emergency Scans

A. Should an emergency arise during off hours, the radiologist and/or resident must call the MRI technologist.

B. MRI technologists are responsible for on-call coverage.

MRI-25. Patient Screening

Because of the effects of the static magnetic field, all patients are thoroughly screened for contraindications to MRI before entering the magnetic field or magnet room.

A. The patient is asked to complete a questionnaire, which asks if the patient has a pacemaker, any other implants, any previous surgery, any possible metal fragments from war injury, or gunshot wounds, or was a metal worker.

B. The patient is screened for pregnancy.

C. In the case of metal workers, radiographs of the orbits are obtained to check for metal fragments, unless the patient has had an MRI since working with metal.

D. In some cases, visitors may be allowed to accompany patient into scan room during MRI, e.g., child having scan, parent accompanies. All visitors must be screened.

MRI-26. Patient Questionnaire

A. Patients are required to complete the questionnaire each time an MRI scan is performed.

B. One part of the questionnaire is used to screen the patient for magnetic safety by identifying previous experiences and/or equipment during an MRI scan.

C. The second portion of the questionnaire asks questions regarding the patient's specific areas of discomfort/pain. This information is used to verify that the procedure ordered is appropriate for the patient's condition.

D. The MRI technologist reviews this questionnaire with the patient to ensure magnetic safety and verify the patient's symptoms against the scanning protocol to be performed.

E. The completed patient questionnaire is scanned into PACS for easy reference.

MRI-27. Contra-indications to MRI Scanning

A. MRI is contra-indicated for patients who have electrically, magnetically, or mechanically activated implants (e.g., cardiac pacemakers), because the magnetic and electromagnetic fields produced by the MR device may interfere with the operation of the implants. If a patient has an implantable device, an implant record needs to be obtained because some implants have not yet been tested for a 3 Tesla field.

B. The scanning of patients with intracranial aneurysm clips is contra-indicated unless the physician is certain that the clip is not magnetically active. This statement must be in writing and include the make and model of the implant as well as the year it was implanted.

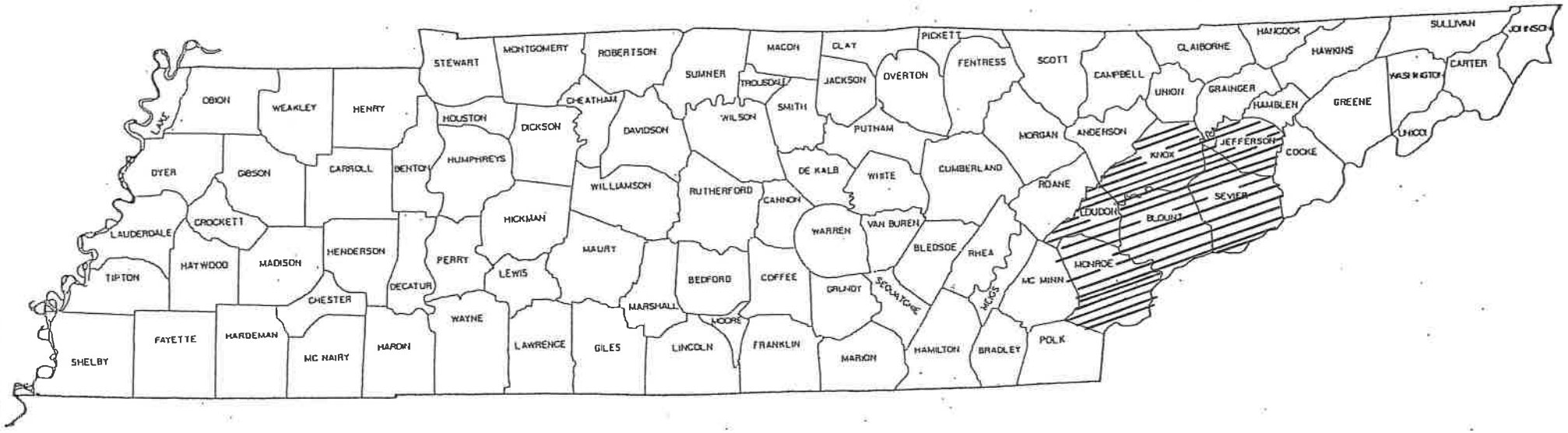
MRI Utilization Protocol

Utilization review and assurance is performed by both the MRI Technician and supervising radiologist and, in most cases, the insurer or payor as well.

All patients receiving MRI scans are referred by a physician who has no financial interest in the MRI service.

All patients who are referred for an MRI complete a detailed questionnaire. The questionnaire includes questions regarding the patient's specific areas of pain/discomfort. This information is used to verify the procedure is appropriate for the patient's symptoms.

The MRI Technologist, who is under the supervision of radiologist, reviews this information to verify the patient's symptoms against the scanning protocol.



Attachment C, I, Need 3

POPULATION AND DEMOGRAPHICS OF SERVICE AREA								
Variable	Knox County	Blount County	Sevier County	Jefferson County	Monroe County	Loudon County	Service Area Total/Avg.	State of Tennessee
Current Year (2015), Age 65+	68,027	25,196	18,470	10,919	9,920	14,363	146,895	1,051,862
Projected Year (2019), Age 65+*	78,177	29,567	22,180	12,844	11,884	17,170	171,822	1,219,696
Age 65+, % Change	14.9%	17.3%	20.1%	17.6%	19.8%	19.5%	17.0%	16.0%
Age 65+, % Total (CY)	14.8%	19.1%	18.6%	19.8%	20.9%	26.9%	20.0%	15.6%
Age 65+, % Total (PY)	16.2%	21.4%	20.8%	22.2%	24.0%	30.1%	18.8%	17.3%
CY, Total Population (2015)	460,612	131,578	99,290	55,028	47,421	53,324	847,253	6,735,706
PY, Total Population (2019)	483,425	138,116	106,657	57,733	49,559	57,017	892,507	7,035,572
Total Pop. % Change	5.0%	1.6%	0.2%	4.9%	4.5%	6.9%	5.3%	4.5%
TennCare Enrollees (July, 2015)	73,765	22,267	19,830	12,359	11,682	8,928	148,831	1,447,657
TennCare Enrollees as a % of Total Population(CY)	16.0%	16.9%	20.0%	22.5%	24.6%	16.7%	17.6%	21.5%
Median Age (2010 Census)	37	42	41	41	42	46	41.5	38
Median Household Income ('09-'13)	$47,649	$45,991	$43,649	$39,745	$37,595	$51,074	$44,283.83	$44,298
Population % Below Poverty Level ('09-'13)	14.6%	13.7%	14.5%	18.3%	19.6%	16.1%	16.1%	17.6

Sources: Population,http://tn.gov/health/article/statistics-con; TennCare enrollment, TennCare Bureau website; Age, American FactFinder Census website; Income and poverty level, Census Bureau QuickFacts.

County	Provider Type	Provider	Year	Number of Units	Total Procedures	Procedures per Unit
Blount	HOSP	Blount Memorial Hospital	2014	1	5768	5768
Blount	PO	East Tennessee Medical Group	2014	1	907	907
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2014	1	703	703
Jefferson	HOSP	Jefferson Memorial Hospital	2014	1	2253	2253
Knox	RPO	Abercrombie Radiology	2014	2	3186	1593
Knox	PO	Ancillary Services, Summit Medical Group	2014	1	3092	3092
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2014	1	2510	2510
Knox	HOSP	East Tennessee Children's Hospital	2014	1	2849	2849
Knox	ODC	East Tennessee Community Open MRI, LLC	2014	2	2068	1034
Knox	HOSP	Fort Sanders Regional Medical Center	2014	2	7477	3739
Knox	HODC	Fort Sanders West Diagnostic Center	2014	1	1128	1128
Knox	PO	Knoxville Comprehensive Breast Center	2014	2	1965	983
Knox	HOSP	North Knoxville Medical Center	2014	1	3610	3610
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2014	2	6321	3161
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2014	2	8923	4462
Knox	HOSP	Parkwest Medical Center	2014	2	8037	4019
Knox	HOSP	Physicians Regional Medical Center	2014	2	3913	1957
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2014	1	1075	1075
Knox	PO	Tennessee Orthopaedic Clinics, PC	2014	1	2892	2892
Knox	HOSP	Turkey Creek Medical Center	2014	1	2408	2408
Knox	HOSP	University of Tennessee Medical Center	2014	4	18250	4563
Loudon	HOSP	Fort Loudoun Medical Center	2014	1	2055	2055
Monroe	HOSP	Sweetwater Hospital Association	2014	1	2057	2057
Sevier	HOSP	LeConte Medical Center	2014	1	4627	4627
Total/Avg.				**35**	**98074**	**1813**

Source: HSDA Medical Equipment Registry 9-9-15

County	Provider Type	Provider	Year	Number of Units	Total Procedures	Procedures per Unit
Blount	HOSP	Blount Memorial Hospital	2013	1	6909	6909
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2013	1	741	741
Jefferson	HOSP	Jefferson Memorial Hospital	2013	1	2074	2074
Knox	RPO	Abercrombie Radiology	2013	2	4313	2157
Knox	PO	Ancillary Services, Summit Medical Group	2013	1	2768	2768
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2013	1	2317	2317
Knox	HOSP	East Tennessee Children's Hospital	2013	1	2674	2674
Knox	ODC	East Tennessee Community Open MRI, LLC	2013	2	1845	923
Knox	HOSP	Fort Sanders Regional Medical Center	2013	2	7461	3731
Knox	HODC	Fort Sanders West Diagnostic Center	2013	1	1099	1099
Knox	PO	Knoxville Comprehensive Breast Center	2013	2	1809	905
Knox	HOSP	North Knoxville Medical Center	2013	1	3696	3696
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2013	1	3971	3971
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2013	2	8186	4093
Knox	HOSP	Parkwest Medical Center	2013	2	8038	4019
Knox	HOSP	Physicians Regional Medical Center	2013	2	5421	2711
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2013	1	995	995
Knox	PO	Tennessee Orthopaedic Clinics, PC	2013	1	3259	3259
Knox	HOSP	Turkey Creek Medical Center	2013	1	2507	2507
Knox	HOSP	University of Tennessee Medical Center	2013	4	16453	4113
Loudon	HOSP	Fort Loudoun Medical Center	2013	1	2023	2023
Monroe	HOSP	Sweetwater Hospital Association	2013	1	1834	1834
Sevier	HOSP	LeConte Medical Center	2013	1	4235	4235
Total/Avg.				**33**	**94628**	**1932**

Source: HSDA Medical Equipment Registry 9-9-15

County	Provider Type	Provider	Year	Number of Units	Total Procedures	Procedures per Unit
Blount	HOSP	Blount Memorial Hospital	2012	1	5257	5257
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2012	1	855	855
Jefferson	HOSP	Jefferson Memorial Hospital	2012	1	3098	3098
Knox	RPO	Abercrombie Radiology	2012	2	4732	2366
Knox	PO	Ancillary Services, Summit Medical Group	2012	1	3021	3021
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2012	1	2273	2273
Knox	HOSP	East Tennessee Children's Hospital	2012	1	2594	2594
Knox	ODC	East Tennessee Community Open MRI, LLC	2012	2	1860	930
Knox	HOSP	Fort Sanders Regional Medical Center	2012	2	7269	3635
Knox	HODC	Fort Sanders West Diagnostic Center	2012	1	1346	1346
Knox	PO	Knoxville Comprehensive Breast Center	2012	2	1014	507
Knox	HOSP	North Knoxville Medical Center	2012	1	3984	3984
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2012	1	4999	4999
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2012	2	8040	4020
Knox	HOSP	Parkwest Medical Center	2012	2	8254	4127
Knox	HOSP	Physicians Regional Medical Center	2012	2	4779	2390
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2012	1	1011	1011
Knox	PO	Tennessee Orthopaedic Clinics, PC	2012	1	3425	3425
Knox	HOSP	Turkey Creek Medical Center	2012	1	3342	3342
Knox	HOSP	University of Tennessee Medical Center	2012	4	17557	4389
Loudon	HOSP	Fort Loudoun Medical Center	2012	1	2300	2300
Monroe	HOSP	Sweetwater Hospital Association	2012	1	1638	1638
Sevier	HOSP	LeConte Medical Center	2012	1	4269	4269
Total/Avg.				**33**	**96917**	**1993**

Source: HSDA Medical Equipment Registry 9-9-15

Health Care Providers that Utilize MRI's

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Gross Charges	Procedures per Unit
Blount	HOSP	Blount Memorial Hospital	2012	1	Fixed	0	5257	$15,758,140.00	5257
Blount	HOSP	Blount Memorial Hospital	2013	1	Fixed	0	6909	$15,891,835.00	6909
Blount	HOSP	Blount Memorial Hospital	2014	1	Fixed	0	5768	$36,271,861.00	5768
Blount	PO	East Tennessee Medical Group	2014	1	Fixed	0	907	$3,636,894.00	907
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2012	1	Fixed	0	855	$820,214.00	855
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2013	1	Fixed	0	741	$684,018.00	741
Blount	PO	OrthoTennessee Imaging/Maryville Orthopaedic	2014	1	Fixed	0	703	$649,964.00	703
Jefferson	HOSP	Jefferson Memorial Hospital	2012	1	Mobile (Full)	6 days/week	3098	$0.00	3098
Jefferson	HOSP	Jefferson Memorial Hospital	2013	1	Mobile (Full)	7 days/wee	2074	$7,385,063.00	2074
Jefferson	HOSP	Jefferson Memorial Hospital	2014	1	Mobile (Full)	6 days/week	2253	$9,248,134.00	2253
Knox	RPO	Abercrombie Radiology	2012	2	Fixed	0	4732	$0.00	2366
Knox	RPO	Abercrombie Radiology	2013	2	Fixed	0	4313	$0.00	2156.5
Knox	RPO	Abercrombie Radiology	2014	2	Fixed	0	3186	$0.00	1593
Knox	PO	Ancillary Services, Summit Medical Group	2012	1	Fixed	0	3021	$3,266,346.00	3021
Knox	PO	Ancillary Services, Summit Medical Group	2013	1	Fixed	0	2768	$2,958,315.00	2768
Knox	PO	Ancillary Services, Summit Medical Group	2014	1	Fixed	0	3092	$3,149,450.00	3092
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2012	1	Fixed	0	2273	$2,446,206.00	2273
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2013	1	Fixed	0	2317	$2,428,637.00	2317
Knox	PO	Ancillary Svcs-Summit Medical Group-Midlake	2014	1	Fixed	0	2510	$2,552,469.00	2510
Knox	HOSP	East Tennessee Children's Hospital	2012	1	Fixed	0	2594	$5,262,165.00	2594
Knox	HOSP	East Tennessee Children's Hospital	2013	1	Fixed	0	2674	$5,816,360.00	2674
Knox	HOSP	East Tennessee Children's Hospital	2014	1	Fixed	0	2849	$6,519,216.00	2849
Knox	ODC	East Tennessee Community Open MRI, LLC	2012	2	Fixed	0	1860	$3,090,250.00	930
Knox	ODC	East Tennessee Community Open MRI, LLC	2013	2	Fixed	0	1845	$3,139,832.00	922.5
Knox	ODC	East Tennessee Community Open MRI, LLC	2014	2	Fixed	0	2068	$1,885,527.00	1034
Knox	HOSP	Fort Sanders Regional Medical Center	2012	2	Fixed	0	7269	$13,400,611.00	3634.5
Knox	HOSP	Fort Sanders Regional Medical Center	2013	2	Fixed	0	7461	$13,968,497.00	3730.5
Knox	HOSP	Fort Sanders Regional Medical Center	2014	2	Fixed	0	7477	$15,534,870.00	3738.5
Knox	HODC	Fort Sanders West Diagnostic Center	2012	1	Fixed	0	1346	$2,623,839.00	1346
Knox	HODC	Fort Sanders West Diagnostic Center	2013	1	Fixed	0	1099	$2,139,089.00	1099
Knox	HODC	Fort Sanders West Diagnostic Center	2014	1	Fixed	0	1128	$2,452,271.00	1128
Knox	PO	Knoxville Comprehensive Breast Center	2012	2	Fixed	0	1014	$1,660,834.00	507
Knox	PO	Knoxville Comprehensive Breast Center	2013	2	Fixed	0	1809	$3,009,517.00	904.5
Knox	PO	Knoxville Comprehensive Breast Center	2014	2	Fixed	0	1965	$3,258,914.00	982.5
Knox	HOSP	North Knoxville Medical Center	2012	1	Fixed	0	3984	$14,965,102.00	3984
Knox	HOSP	North Knoxville Medical Center	2013	1	Fixed	0	3696	$0.00	3696
Knox	HOSP	North Knoxville Medical Center	2014	1	Fixed	0	3610	$0.00	3610
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2012	1	Fixed	0	4999	$3,789,487.00	4999
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2013	1	Fixed	0	3971	$3,573,815.00	3971
Knox	PO	OrthoTennessee Imaging Fort Sanders West	2014	2	Fixed	0	6321	$5,238,191.00	3160.5
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2012	2	Fixed	0	8040	$7,886,559.00	4020
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2013	2	Fixed	0	8186	$11,069,146.00	4093

Health Care Providers that Utilize MRI's

County	Provider Type	Provider	Year	Number of	Mobile ?	Mobile Days Used	Total Procedures	Total Gross Charges	Procedures per Unit
Knox	ODC	Outpatient Diagnostic Center of Knoxville	2014	2	Fixed	0	8923	$12,191,839.00	4461.5
Knox	HOSP	Parkwest Medical Center	2012	2	Fixed	0	8254	$15,979,714.00	4127
Knox	HOSP	Parkwest Medical Center	2013	2	Fixed	0	8038	$15,728,462.00	4019
Knox	HOSP	Parkwest Medical Center	2014	2	Fixed	0	8037	$17,428,571.00	4018.5
Knox	HOSP	Physicians Regional Medical Center	2012	2	Fixed	0	4779	$0.00	2389.5
Knox	HOSP	Physicians Regional Medical Center	2013	2	Fixed	0	5421	$17,586,119.70	2710.5
Knox	HOSP	Physicians Regional Medical Center	2014	2	Fixed	0	3913	$14,009,943.00	1956.5
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2012	1	Fixed	0	1011	$1,549,562.00	1011
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2013	1	Fixed	0	995	$1,455,143.00	995
Knox	PO	Tennessee Orthopaedic Clinics - Regional MRI	2014	1	Fixed	0	1075	$1,580,272.00	1075
Knox	PO	Tennessee Orthopaedic Clinics, PC	2012	1	Fixed	0	3425	$5,538,038.00	3425
Knox	PO	Tennessee Orthopaedic Clinics, PC	2013	1	Fixed	0	3259	$5,059,894.00	3259
Knox	PO	Tennessee Orthopaedic Clinics, PC	2014	1	Fixed	0	2892	$4,989,289.00	2892
Knox	HOSP	Turkey Creek Medical Center	2012	1	Fixed	0	3342	$11,718,675.00	3342
Knox	HOSP	Turkey Creek Medical Center	2013	1	Fixed	0	2507	$10,612,297.00	2507
Knox	HOSP	Turkey Creek Medical Center	2014	1	Fixed	0	2408	$10,413,023.00	2408
Knox	HOSP	University of Tennessee Medical Center	2012	4	Fixed	0	17557	$60,860,169.00	4389.25
Knox	HOSP	University of Tennessee Medical Center	2013	4	Fixed	0	16453	$57,287,324.00	4113.25
Knox	HOSP	University of Tennessee Medical Center	2014	4	Fixed	0	18250	$63,680,663.00	4562.5
Loudon	HOSP	Fort Loudoun Medical Center	2012	1	Fixed	0	2300	$4,181,590.00	2300
Loudon	HOSP	Fort Loudoun Medical Center	2013	1	Fixed	0	2023	$3,685,600.00	2023
Loudon	HOSP	Fort Loudoun Medical Center	2014	1	Fixed	0	2055	$4,199,167.00	2055
Monroe	HOSP	Sweetwater Hospital Association	2012	1	Mobile (Full)	5 days/week	1638	$3,662,178.00	1638
Monroe	HOSP	Sweetwater Hospital Association	2013	1	Mobile (Full)	5 days/week	1834	$4,166,600.00	1834
Monroe	HOSP	Sweetwater Hospital Association	2014	1	Mobile (Full)	5 days/week	2057	$14,553,000.00	2057
Sevier	HOSP	LeConte Medical Center	2012	1	Fixed	0	4269	$7,926,669.00	4269
Sevier	HOSP	LeConte Medical Center	2013	1	Fixed	0	4235	$7,903,371.00	4235
Sevier	HOSP	LeConte Medical Center	2014	1	Fixed	0	4627	$9,471,584.00	4627

Medical Equipment Registry - 9/9/2015

THE UNIVERSITY OF TENNESSEE MEDICAL CENTER

Wisdom for Your Life.

September 4, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building
500 Deaderick Street, Suite 850
Nashville, TN 37243

RE: University of Tennessee Medical Center CON Project
For a new Magnetic Resonance Imaging (MRI) machine

Dear Ms. Hill:

I am the Chief Financial Officer for the University of Tennessee Medical Center ("UTMC"). Please accept this letter as verification that funding for the CON referenced above is available and will be provided from the cash reserves of UTMC. The total project cost is estimated to be in the amount of approximately $3.7 million.

Please let me know if you have any questions or if additional information is needed.

Sincerely,

Thomas M. Fisher
Sr. Vice President & CFO

/hc

Chief Financial Officer
2121 Medical Center Way, Suite 200 · Knoxville, TN 37920-3257 · (865) 305-6097 Fax: (865) 305-9429 · utmedicalcenter.org

CERNER DESCRIPTION	CPT	PRICE
	CMS	1/1/2015
MRI TMJ, UNILATERAL	70336	2,297.00
MRI NECK, FACE OR ORBITS WITHOUT CONTRAST	70540	3,263.00
MRI NECK, FACE OR ORBITS WITH CONTRAST	70542	3,263.00
MRI NECK,FACE OR ORBITS, WITH & WITHOUT CONTRAST	70543	4,264.00
MRI ANGIOGRAPHY, HEAD, WITHOUT CONTRAST	70544	3,263.00
MRI ANGIOGRAPHY, HEAD, WITH CONTRAST	70545	2,449.00
MRI ANGIOGRAPHY, HEAD,WITH & WITHOUT CONTRAST	70546	3,263.00
MRI ANGIOGRAPHY, NECK, WITHOUT CONTRAST	70547	3,263.00
MRI ANGIOGRAPHY, NECK, WITH CONTRAST	70548	3,263.00
MRI ANGIOGRAPHY, NECK,WITH & WITHOUT CONTRAST	70549	3,263.00
MRI BRAIN & STEM WITHOUT CONTRAST	70551	3,263.00
MRI BRAIN & STEM WITH CONTRAST	70552	3,263.00
MRI BRAIN & STEM WITH AND WITHOUT CONTRAST	70553	4,264.00
MRI CHEST WITHOUT CONTRAST	71550	2,941.00
MRI CHEST, WITH CONTRAST	71551	2,449.00
MRI CHEST, WITH & WITHOUT CONTRAST	71552	3,840.00
MRI C-SPINE, WITHOUT CONTRAST	72141	2,938.00
MRI C-SPINE, WITH CONTRAST	72142	2,938.00
MRI T-SPINE, WITHOUT CONTRAST	72146	3,403.00
MRI T-SPINE, WITH CONTRAST	72147	3,403.00
MRI L-SPINE, WITHOUT CONTRAST	72148	2,938.00
MRI L-SPINE, WITH CONTRAST	72149	2,938.00
MRI C-SPINE, WITH & WITHOUT CONTRAST	72156	3,837.00
MRI T-SPINE, WITH & WITHOUT CONTRAST	72157	3,837.00
MRI L-SPINE, WITH & WITHOUT CONTRAST	72158	3,837.00
MRI PELVIS, WITHOUT CONTAST	72195	3,165.00
MRI PELVIS, WITH CONTRAST	72196	2,449.00
MRI PELVIS, WITH & WITHOUT CONTRAST	72197	4,132.00
MRI ABDOMEN WITHOUT CONTRAST	74181	3,202.00
MRI ABDOMEN WITH CONTRAST	74182	3,202.00
MRI ABDOMEN WITH & WITHOUT CONTRAST	74183	4,180.00
MRI Cardiac Morph w/o contrast	75557	2,938.00
MRI Cardiac Morph w/o contrast with stress	75559	2,938.00
MRI Cardiac Morph w/o and w/contrast	75561	3,837.00
MRI Cardiac Morph w/o and w/contrast with stress	75563	3,837.00
MRI Flow Velocity Mapping	75565	1,379.00
MRI CONSULT OF OUTSIDE FILMS	76140	0.00
MRI 3D IMAGE W/O POSTPROCESSING (not in cerner)	76376	559.00
MRI 3D IMAGE WITH POSTPROCESSING (not in cerner)	76377	559.00
MRI SPECTROSCOPY	76390	2,417.00
MRI Cyberknife Planning	76498	4,264.00
MRI GUIDANCE FOR NEEDLE PLACEMENT	77021	2,449.00
MRI BONE MARROW BLOOD SUPPLY	77084	1,991.00
MRI TMJ, BILATERAL	70336-50	3,569.00
MRI BIOPSY, (BRAIN) STEREOTACTIC	70552-52	3,263.00
MRI EXT LT, UPPER NON-JOINT WITHOUT CONTRAST	73218-LT	3,111.00
MRI EXT RT, UPPER NON-JOINT WITHOUT CONTRAST	73218-RT	3,111.00
MRI EXT LT, UPPER NON-JOINT WITH CONTRAST	73219-LT	2,449.00
MRI EXT RT, UPPER NON-JOINT WITH CONTRAST	73219-RT	2,449.00
MRI EXT LT,UPPER,NON-JOINT, WITH & WITHOUT CONTRAST	73220-LT	4,062.00
MRI EXT RT, UPPER,NON-JOINT, WITH & WITHOUT CONTRAST	73220-RT	4,062.00

MRI EXT LT, UPPER JOINT WITHOUT CONTRAST	73221-LT	3,111.00
MRI EXT RT, UPPER JOINT WITHOUT CONTRAST	73221-RT	3,111.00
MRI EXT LT, UPPER JOINT WITH CONTRAST	73222-LT	3,111.00
MRI EXT RT, UPPER JOINT WITH CONTRAST	73222-RT	3,111.00
MRI EXT LT, UPPER JOINT WITH & WITHOUTCONTRAST	73223-LT	4,062.00
MRI EXT RT, UPPER JOINT WITH & WITHOUTCONTRAST	73223-RT	4,062.00
MRI EXT LT, LOWER, NON-JOINT WITHOUT CONTRAST	73718-LT	2,941.00
MRI EXT RT, LOWER, NON-JOINT WITHOUT CONTRAST	73718-RT	2,941.00
MRI EXT LT,LOWER,NON-JOINT,WITH CONTRAST	73719-LT	2,941.00
MRI EXT RT, LOWER,NON-JOINT,WITH CONTRAST	73719-RT	2,941.00
MRI EXT LT,LOWER,NON-JOINT,WITH & WITHOUT CONTRAST	73720-LT	3,842.00
MRI EXT RT, LOWER,NON-JOINT,WITH & WITHOUT CONTRAST	73720-RT	3,842.00
MRI BILATERAL HIP W/O CONTRAST	73721-50	5,601.00
MRI EXT LT, LOWER JOINT WITHOUT CONTRAST	73721-LT	2,941.00
MRI EXT RT, LOWER JOINT WITHOUT CONTRAST	73721-RT	2,941.00
MRI BILATERAL HIP WITH CONTRAST	73722-50	5,601.00
MRI EXT LT, LOWER JOINT WITH CONTRAST	73722-LT	2,941.00
MRI EXT RT, LOWER JOINT WITH CONTRAST	73722-RT	2,941.00
MRI BILATERAL HIP W & W/O CONTRAST	73723-50	7,316.00
MRI EXT LT,LOWER,JOINT,WITH & WITHOUT CONTRAST	73723-LT	3,842.00
MRI EXT RT, LOWER JOINT,WITH & WITHOUT CONTRAST	73723-RT	3,842.00
Multihance 10ml bottle	A9577	160.00
Multihance 15ml bottle	A9577	
Multihance 20ml bottle	A9577	
MRI ANGIOGRAPHY, ABDOMEN WITH CONTRAST	C8900	4,180.00
MRI ANGIOGRAPHY, ABDOMEN WITHOUT CONTRAST	C8901	4,180.00
MRI ANGIOGRAPHY, ABDOMEN WITH OR WITHOUT CONTRAST	C8902	4,180.00
MRI BREAST UNILATERAL WITHOUT CONTRAST	C8904	2,975.00
MRI BREAST UNILATERAL WITH & WITHOUT CONTRAST	C8905	2,975.00
MRI BREAST BILATERAL WITHOUT CONTRAST	C8907	2,975.00
MRI BREAST BILATERAL WITH & WITHOUT CONTRAST	C8908	2,975.00
MRI ANGIOGRAPHY, CHEST WITH CONTRAST(EXCLUDING MYOCARIUM)	C8909	3,842.00
MRI ANGIOGRAPHY, CHEST WITHOUT CONTRAST(EXCLUDING MYOCARIUM)	C8910	3,842.00
MRI ANGIOGRAPHY, CHEST WITH OR WITHOUT CONTRAST(EXCLUDING MYOCARIUM)	C8911	3,840.00
MRI ANGIOGRAPHY, LOWER EXT LEFT WITH CONTRAST	C8912-LT	3,840.00
MRI ANGIOGRAPHY, LOWER EXT RIGHT WITH CONTRAST	C8912-RT	3,840.00
MRI ANGIOGRAPHY, LOWER EXT LEFT WITHOUT CONTRAST	C8913-LT	3,842.00
MRI ANGIOGRAPHY, LOWER EXT RIGHT WITHOUT CONTRAST	C8913-RT	3,842.00
MRI ANGIOGRAPHY, LOWER LEFT EXT WITH OR WITHOUT CONTRAST	C8914-LT	3,842.00
MRI ANGIOGRAPHY, LOWER RIGHT EXT WITH & WITHOUT CONTRAST	C8914-RT	3,842.00
MRI ANGIOGRAPHY, PELVIS WITH CONTRAST	C8918	4,132.00
MRI ANGIOGRAPHY, PELVIS WITHOUT CONTRAST	C8919	4,132.00
MRI ANGIOGRAPHY, PELVIS WITH OR WITHOUT CONTRAST	C8920	4,132.00
MRI ANGIOGRAPHY, SPINAL CANAL WITH CONTRAST	C8931	3,197.00
MRI ANGIOGRAPHY, SPINAL CANAL WITHOUT CONTRAST	C8932	3,197.00
MRI ANGIOGRAPHY, SPINAL CANAL WITH & WITHOUT CONTRAST	C8933	3,197.00
MRI ANGIOGRAPHY, UPPER EXT LEFT WITH CONTRAST	C8934-LT	3,197.00
MRI ANGIOGRAPHY, UPPER EXT LEFT WITHOUT CONTRAST	C8935-LT	3,197.00
MRI ANGIOGRAPHY, UPPER EXT RIGHT WITH CONTRAST	C8935-RT	3,197.00
MRI ANGIOGRAPHY, UPPER EXT RIGHT WITHOUT CONTRAST	C8935-RT	3,197.00
MRI ANGIOGRAPHY, UPPER EXTREMITY WITH OR WITHOUT CONTRAST	C8936	3,197.00
MRI ANGIOGRAPHY, UPPER LEFT EXT WITH & WITHOUT CONTRAST	C8936-LT	3,197.00
MRI ANGIOGRAPHY, UPPER RIGHT EXT WITH & WITHOUT CONTRAST	C8936-RT	3,197.00
19000-Drainage of breast lesion		704.50
19001-Drain breast lesion add-on		636.50
19030-Inj for breast xray		402.50
19100-Bx breast w/o image		961.50

MRI Placement of breast localization device, percutanous, first lesion, MRI guidance	3,965.50
MRI Placement of breast localization device, percutanous, first lesion, MRI guidance, ea add'l lesion	2,227.50
MRI Breast BX, with loacalization device placement, with imaging, MRI guidance	4,921.50
MRI Breast BX, with loacalization device placement, with imaging, MRI guidance, ea add'l lesion	2,227.50

KPMG

UNIVERSITY HEALTH SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

December 31, 2014 and 2013

(With Independent Auditors' Reports Thereon)

KPMG LLP
Suite 910
800 South Gay Street
Knoxville, TN 37929-9729

Independent Auditors' Report

The Board of Directors
University Health System, Inc.:

We have audited the accompanying consolidated financial statements of University Health System, Inc. and subsidiaries (UHS), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

The management of UHS is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UHS' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UHS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University Health System, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Nashville, Tennessee
March 23, 2015

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 80,939,727	69,613,960
Short-term investments	8,205,028	8,156,626
Current portion of assets limited as to use	4,425,553	287,713
Patient accounts receivable, net of allowance for doubtful accounts of $51,180,000 and $41,228,000 at December 31, 2014 and 2013, respectively	81,434,740	73,347,066
Other receivables	5,568,664	6,937,231
Estimated third-party settlements	16,581,337	16,236,867
Inventories	5,265,960	5,354,591
Prepaid expenses and other current assets	1,639,893	1,197,047
Total current assets	204,060,902	181,131,101
Assets limited as to use, less current portion	18,733,674	14,858,078
Long-term investments	167,386,484	158,122,081
Property and equipment, net	223,678,388	205,459,364
Deferred financing costs, net of accumulated amortization of $610,000 and $517,000 at December 31, 2014 and 2013, respectively	1,989,178	1,988,326
Investments in affiliated organizations	2,414,943	2,333,408
Other assets	3,358,101	7,491,651
Total assets	$ 621,621,670	571,384,009
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	$ 13,918,983	12,347,046
Accounts payable	61,145,656	55,096,388
Accrued payroll and related liabilities	38,697,057	33,638,885
Accrued expenses and other current liabilities	33,424,252	21,673,184
Estimated third-party settlements	8,597,135	8,011,395
Total current liabilities	155,783,083	130,766,898
Long-term debt, less current portion	272,628,855	268,344,281
Other liabilities	16,726,486	19,391,004
Total liabilities	445,138,424	418,502,183
Net assets:		
Unrestricted	166,681,545	144,384,710
Temporarily restricted	3,085,955	3,033,780
Permanently restricted	6,715,746	5,463,336
Total net assets	176,483,246	152,881,826
Total liabilities and net assets	$ 621,621,670	571,384,009

See accompanying notes to consolidated financial statements.

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2014 and 2013

	2014	2013
Revenue:		
Net patient service revenue	$ 736,402,412	657,185,061
Provision for doubtful accounts	(69,920,894)	(62,306,309)
Net patient service revenue less provision for doubtful accounts	666,481,518	594,878,752
Other revenue	40,661,573	36,565,036
Total revenue	707,143,091	631,443,788
Operating expenses:		
Salaries, wages, and benefits	302,053,302	273,738,240
Medical supplies and drugs	181,792,110	164,893,472
Purchased services	104,100,709	88,648,028
Graduate medical education reimbursed to the University	32,726,269	31,806,637
Insurance and other	35,848,113	29,149,125
Interest	12,098,087	12,277,022
Depreciation and amortization	28,142,259	25,931,840
Total operating expenses	696,760,849	626,444,364
Operating income	10,382,242	4,999,424
Nonoperating gains:		
Contributions	1,497,958	1,922,094
Investment income	5,200,939	5,899,369
Change in fair value of derivative instrument	5,215,696	(3,929,172)
Total nonoperating gains, net	11,914,593	3,892,291
Revenue and gains in excess of expenses and losses	$ 22,296,835	8,891,715

See accompanying notes to consolidated financial statements.

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2014 and 2013

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at December 31, 2012	$ 135,492,995	3,004,377	5,115,839	143,613,211
Revenue and gains in excess of expenses and losses	8,891,715	—	—	8,891,715
Contributions	—	1,921,787	347,497	2,269,284
Net assets released from restriction used in operations	—	(1,892,384)	—	(1,892,384)
Balance at December 31, 2013	144,384,710	3,033,780	5,463,336	152,881,826
Revenue and gains in excess of expenses and losses	22,296,835	—	—	22,296,835
Contributions	—	2,293,790	1,252,410	3,546,200
Net assets released from restriction used in operations	—	(2,241,615)	—	(2,241,615)
Balance at December 31, 2014	$ 166,681,545	3,085,955	6,715,746	176,483,246

See accompanying notes to consolidated financial statements.

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in total net assets	$ 23,601,420	9,268,615
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation and amortization	28,142,259	25,931,840
Provision for doubtful accounts	69,920,894	62,306,309
Equity in earnings of affiliated organizations	(1,164,389)	(2,039,077)
Imputed interest on capital lease obligation	2,092,384	1,975,737
Changes in unrealized gains on trading securities	(1,752,438)	(2,435,254)
Realized losses on trading securities	420,801	1,098,461
Change in fair value of derivative instrument	(5,215,696)	3,929,172
Amortization of financing costs	93,176	91,691
Amortization of bond premium	(351,960)	(385,886)
Gain on sale of assets, net	(8,343)	729,391
Changes in assets and liabilities affecting operating activities:		
Patient accounts receivable	(78,008,568)	(63,164,093)
Other receivables	1,368,567	(289,690)
Estimated third-party settlements	241,270	3,783,871
Inventories	88,631	152,520
Prepaid expenses and other assets	3,690,704	(1,367,643)
Accounts payable	1,614,116	3,937,616
Accrued payroll and related liabilities	5,058,172	3,371,253
Accrued expenses and other liabilities	6,117,357	712,019
Net cash provided by operating activities	55,948,357	47,606,852
Cash flows from investing activities:		
Proceeds from sale or maturity of investments	239,591,553	307,054,849
Purchases of investments	(255,586,157)	(323,573,075)
Purchases of property and equipment	(27,444,449)	(19,793,617)
Proceeds from the sale of assets	22,710	1,197
Capital distributions from affiliated organization	1,082,854	2,352,763
Net cash used in investing activities	(42,333,489)	(33,957,883)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	11,227,744	2,493,960
Payments of long-term debt	(13,422,817)	(10,988,099)
Payments for deferred financing costs	(94,028)	—
Net cash used in financing activities	(2,289,101)	(8,494,139)
Increase in cash and cash equivalents	11,325,767	5,154,830
Cash and cash equivalents at beginning of year	69,613,960	64,459,130
Cash and cash equivalents at end of year	$ 80,939,727	69,613,960

(Continued)

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amount capitalized of $254,240 and $269,798, respectively	$ 11,162,114	11,448,645
Noncash investing activities:		
Assets and liabilities resulting from equipment purchases:		
Property, plant, and equipment	$ 18,931,201	8,887,373
Accounts payable	4,435,152	2,969,259
Accrued expenses	8,184,889	—
Capital lease	6,311,160	5,918,114

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization, Principles of Consolidation, and Operations

University Health System, Inc. (UHS), a Tennessee nonprofit corporation, comprises the following: (1) University of Tennessee Medical Center (Medical Center); (2) UHS Ventures, Inc. (UHSV); (3) Regional Trauma Service, LLC (RTS); and (4) University Cardiology Group, LLC (UCG). All significant intercompany balances and transactions have been eliminated in consolidation. The mission of UHS is to serve as a regional healthcare provider, as well as a research and educational facility.

UHS was created on December 21, 1998 for the purpose of restructuring the operation, management, and governance of the Medical Center, and to negotiate agreements with The University of Tennessee (the University) to facilitate the restructuring. Effective July 29, 1999, UHS acquired certain assets and the operations of the Medical Center from the University, and the Medical Center became an operating division of UHS. Prior to July 29, 1999, the Medical Center operated as a budget entity of the University.

UHS entered into the following agreements to acquire the operations of the Medical Center from the University: (1) the Lease and Transfer Agreement, whereby UHS leases certain real property and acquired certain personal property from the University; (2) the Employee Services Agreement, whereby UHS leases certain of the Medical Center's employees from the University; and (3) the Affiliation Agreement, whereby UHS and the University agree to continue the Medical Center's historical relationship with the University of Tennessee Graduate School of Medicine (GSM). The effective date of the transfer of Medical Center operations to UHS was July 29, 1999. The transaction was accounted for as a purchase. The restructuring of Medical Center operations and the transfer agreements are explained in more detail in note 2.

University Health System, Inc. and University of Tennessee Medical Center

The Medical Center, an operating division of UHS, is an academic medical center delivering tertiary medical care to a 21-county region in eastern Tennessee. The Medical Center is a regional referral center for eastern Tennessee, western North Carolina, and southeastern Kentucky. The Medical Center is licensed for 581 acute care beds and has been designated by the State of Tennessee (State) as a Level 1 adult and pediatric Trauma Center, supported by five aeromedical helicopters. The State has also designated the Medical Center as a Regional Perinatal Center for high-risk pregnancy.

UHS Ventures, Inc.

UHSV, a Tennessee nonprofit taxable organization and wholly owned subsidiary of UHS, has a 25% ownership interest in ContinuumRx. The purpose of ContinuumRx is to provide home infusion therapy services and other pharmacy and pharmacy-related services. ContinuumRx is accounted for using the equity method. UHSV also has three after-hour clinics to provide medical services to East Tennessee residents of Knox, Blount, Loudon, Sevier, and surrounding counties.

(Continued)

Regional Trauma Service, LLC

RTS, a nonprofit organization and wholly owned subsidiary of UHS, was established to provide physician services to patients of the Medical Center who have suffered a traumatic injury.

University Cardiology Group, LLC

UCG, a nonprofit organization and wholly owned subsidiary of UHS, was established in 2014 to provide cardiology physician services to patients of the Medical Center.

Also, see note 9, *Investments in Affiliated Organizations*.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Specifically, laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(c) Cash and Cash Equivalents

UHS considers all highly liquid, interest-bearing investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Investments and Investment Income

Investments held by UHS are classified as trading securities and are reported at fair value in the consolidated balance sheets. Fair values are based on quoted market prices.

Investment income on borrowed funds held by a trustee, to the extent not capitalized during a construction period, is recorded as other revenue. Investment income or loss, including realized and unrealized gains or losses, from all other investments is recorded as nonoperating gains (losses) unless temporarily or permanently restricted by donors.

(e) Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees in endowment funds and nonqualified deferred compensation plan assets. Amounts required to meet current liabilities and current capital expenditure budget requirements have been reclassified as current assets in the accompanying consolidated balance sheets at December 31, 2014 and 2013.

(Continued)

(f) Inventories

Supply inventories are stated at the lower of cost or market value, determined on the weighted average cost basis or on the first-in, first-out basis. Pharmacy inventories are stated at the lower of cost or market value, determined on the first-in, first-out basis.

(g) Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets, except for leasehold improvements, which are amortized over the shorter of the expected useful life of the asset or related lease term. Buildings under capital lease obligations are amortized using the straight-line method over 20 years or longer (note 10). Such amortization is included in depreciation and amortization in the accompanying consolidated financial statements. Interest expense related to construction projects is capitalized during the construction period.

(h) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.

(i) Deferred Financing Costs

Deferred financing costs consist of bond issuance costs and are amortized using the interest method or the straight-line method (which approximates the interest method) over the terms of the related debt.

(j) Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of UHS and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that are available for use either by the passage of time or by actions of UHS.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by UHS. Generally, the donors of these assets permit UHS to use all or part of the income earned on related investments for general or specific purposes.

(Continued)

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions are recorded as increases in unrestricted net assets.

Endowment – UHS applies Financial Accounting Standards Board (FASB) Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations*, Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities — Presentation of Financial Statements*. ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Effective July 1, 2007, the State adopted legislation that incorporates the provisions outlined in UPMIFA. UHS' endowments consist solely of donor-restricted endowment funds. UHS' endowments consist of 19 individual funds established for a variety of purposes.

UHS has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by UHS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UHS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of UHS and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of UHS; and (7) the investment policies of UHS.

UHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in equities, fixed income, and cash equivalents.

UHS has a policy of annually approving for distribution investment income on endowments unless the endowment specifically states that the income should be accumulated in the fund until a maximum level is reached in the fund. For the years ended December 31, 2014 and 2013, there was approximately

(Continued)

$161,000 and $142,000, investment income earned, appropriated, and recognized as unrestricted revenue and gains, respectively.

From time to time, it is possible that the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires UHS to retain as a fund of perpetual duration. These deficiencies could result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions. There were no such deficiencies as of December 31, 2014 or 2013.

(k) Consolidated Statements of Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Peripheral or incidental transactions are reported as gains and losses.

(l) Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. On the basis of historical experience, a significant portion of UHS' uninsured patients will be unable or unwilling to pay for the services provided. Therefore, UHS records a significant provision for doubtful accounts related to uninsured patients. This provision for doubtful accounts is presented on the consolidated statements of operations as a component of net patient service revenue.

(m) Charity Care

UHS provides care to patients who meet criteria under its charity care policy without charge or at amounts less than its established rates. UHS does not report as revenue the charges that qualify as charity care because UHS does not pursue collection of those amounts.

(n) Derivative Financial Instrument

UHS has not elected to use hedge accounting with respect to its derivative financial instrument. The derivative financial instrument is recognized as an asset or liability in the consolidated balance sheets at fair value. UHS includes the accrued differential payable or receivable on its derivative in operating income. The estimated gain or loss on the fair value of the derivative is included in nonoperating gains, net.

(o) Income Taxes

UHS has been recognized as a tax-exempt organization pursuant to Section 501(a) of the Internal Revenue Code as an entity described under Section 501(c)(3). RTS and UCG are single member limited liability companies disregarded as entities separate from UHS for federal tax purposes. UHSV is a Tennessee nonprofit corporation that is not exempt from federal taxes. Income tax expense for

UHSV for the years ended December 31, 2014 and 2013 was not significant and was offset by operating losses in prior years for tax purposes.

(p) Fair Value Measurements

The following methods and assumptions were used by management in estimating fair values for financial instruments:

Current Assets and Current Liabilities – The carrying amounts reported in the accompanying consolidated balance sheets for current assets and liabilities approximate their fair value because of the short-term nature of these accounts.

Investments and Assets Limited as to Use – The carrying amounts reported in the accompanying consolidated balance sheets for long-term investments and assets limited as to use are at fair value, which is based on quoted market prices.

Derivative Instrument – The fair value of UHS' derivative instrument is derived from a discounted cash flow analysis based on terms of the contract and the interest rate curve. UHS' derivative instrument is recorded at fair value.

Debt – The fair value of long-term debt issued through the Health, Educational, and Housing Facilities Board of the County of Knox, based on quoted market prices for the same or similar issues, was approximately $271,097,000, and $272,786,000 at December 31, 2014 and 2013, respectively. The carrying amount of other long-term debt reported in note 9 and on the consolidated balance sheets approximates the related fair value.

(q) Reclassifications

Certain 2013 amounts have been reclassified to conform to 2014 consolidated financial statement presentation.

(2) Acquisition of Medical Center Operations from the University

During 1999, UHS entered into the Lease and Transfer Agreement, the Employee Services Agreement, and the Affiliation Agreement to acquire the operations of the Medical Center from the University.

Under terms of the Lease and Transfer Agreement, UHS purchased, on July 29, 1999, all of the operating assets of the Medical Center, including all personal property, equipment, inventory, current assets, fund reserves, and other assets used by the Medical Center, other than real property. The real property used by the Medical Center is leased from the University to UHS for a term of 50 years.

Under terms of the Employee Services Agreement, existing UHS employees and all employees hired subsequent to July 28, 1999 are UHS employees. All other Medical Center employees as of July 28, 1999 are leased by UHS from the University and retain all University benefits. The Employee Services Agreement continues until the earlier of the termination of the Lease and Transfer Agreement or the separation from service of the last leased University employee.

(Continued)

The Affiliation Agreement governs the continued relationship between GSM and UHS. UHS will pass through certain federal and state funds earmarked for graduate medical education (note 12). The Medical Center will continue to be the primary teaching site for GSM.

(3) Charity Care

The Medical Center provides services to patients who meet the criteria of its charity care policy without charge or at amounts less than its established rates. The criteria for charity care considers household income in relation to the federal poverty guidelines and the equity value of real property assets. The Medical Center provides qualifying services without charge for patients with adjusted gross income equal to or less than 200% of the poverty guidelines. For patients with adjusted gross income between 200% and 300% of the poverty guidelines, a partial charity write-off can be applied. If the patient's household income exceeds 300% of the poverty guidelines, the patient may still receive charity care services under the Medical Center's catastrophic medical policies.

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone and estimated costs incurred for services and supplies furnished under its charity care policy and equivalent service statistics. Costs incurred are estimated based on the ratio of departmental costs to gross charges plus overhead. The following information measures the approximate level of charity care provided during the years ended December 31, 2014 and 2013:

	2014	2013
Charges foregone, based on established rates	$ 47,365,000	60,488,000
Estimated costs incurred, less payments received	10,925,000	14,631,000

For the years ended December 31, 2014 and 2013, 2,367 and 2,826 patients received charity care, respectively. The charges foregone related to these patients were approximately 1.9% and 2.8% of gross patient revenue for fiscal 2014 and 2013, respectively. UHS also provided other community benefits, for which the value has not been quantified.

(Continued)

(4) Investments

Investments at December 31, 2014 and 2013 include the following:

	2014	2013
Money market funds	$ 4,636,707	4,990,301
Corporate obligations	65,421,948	87,793,085
U.S. Treasury and agency obligations	68,547,154	43,422,521
Municipal obligations	3,370,672	1,430,551
Mutual funds and equity securities	33,615,031	28,642,249
	175,591,512	166,278,707
Less short-term investments	8,205,028	8,156,626
Long-term investments	$ 167,386,484	158,122,081

Investment income comprises the following for the years ended December 31, 2014 and 2013:

	2014	2013
Interest income	$ 3,869,302	4,562,576
Realized loss on sales of securities, net	(420,801)	(1,098,461)
Unrealized gain on securities	1,752,438	2,435,254
	$ 5,200,939	5,899,369

(5) Net Patient Service Revenue

UHS has contractual agreements with third-party payors who reimburse UHS at amounts different from its established rates. Some of these payors also provide cost-based reimbursement for certain services, for which final settlement is determined based on the payors' audits of annual reports submitted by UHS.

Substantially, all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. Those rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Medicare reimbursement reports have been audited, and final settlements have been determined by the Medicare Fiscal Intermediary through the year ended December 31, 2010. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

Effective January 1, 1994, the State replaced the existing Medicaid program with its TennCare program for providing healthcare to the poor and uninsured. TennCare beneficiaries enroll directly with a managed care organization (MCO) to provide their healthcare needs. These MCOs contract directly with healthcare providers to provide services to their enrollees. The basis for payment to UHS includes per diem rates, rates per discharge, and discounts from established charges.

(Continued)

UHS also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to UHS under these agreements includes per diem rates, rates per discharge, and discounts from established charges.

Pursuant to the Affiliation Agreement (note 2), UHS is required to pass through to the GSM certain federal and state funds earmarked for graduate medical education.

Revenue from the Medicare and Tenncare programs accounted for approximately 44% and 19% respectively, of UHS' net patient service revenue for the year ended December 31, 2014. Revenue from the Medicare and TennCare programs accounted for approximately 42% and 14%, respectively, of UHS' net patient service revenue for the year ended December 31, 2013. Laws and regulations governing the Medicare and TennCare programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased approximately $902,838 and $1,828,000 in 2014 and 2013, respectively, due to final settlements and revised estimated settlements in excess of amounts previously recorded, removal of allowances previously estimated that are no longer necessary as a result of final settlements, and years that are no longer subject to audits, reviews, and investigations.

UHS grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross Medical Center receivables from patients and third-party payors at December 31, 2014 and 2013 was as follows:

	2014	2013
Medicare	32%	33%
TennCare/Medicaid	31	28
Other third-party payors	26	29
Other agencies	4	3
Patients	7	7
	100%	100%

(Continued)

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of operations is as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Gross patient service revenue	$ 2,484,565,449	2,150,420,884
Less:		
Contractual adjustments and other discounts	(1,748,163,037)	(1,493,235,823)
Net patient service revenue before provision for doubtful accounts	736,402,412	657,185,061
Less provision for doubtful accounts	(69,920,894)	(62,306,309)
Net patient service revenue	$ 666,481,518	594,878,752

(6) Meaningful Use Incentives

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that meaningfully use certified electronic health record (EHR) technology. The Medicare incentive payments are paid out to qualifying hospitals and physician groups over four consecutive years on a transitional schedule. To qualify for Medicare incentives, hospitals and physician groups must meet EHR "meaningful use" criteria that become more stringent over three stages as determined by Centers for Medicare & Medicaid Services (CMS). Medicaid programs and payment schedules vary from state to state.

For fiscal years ended June 30, 2014 and 2013, UHS recorded $1,115,000 and $2,920,000, respectively, in other operating revenue related to the EHR and meaningful use incentives. These incentives have been recognized following the grant accounting model, recognizing income ratably over the applicable reporting period as management becomes reasonably assured of meeting the required criteria.

Amounts recognized represent management's best estimates for payments ultimately expected to be received based on estimated discharges, charity care, and other input data. Subsequent changes to these estimates will be recognized in other operating revenue in the period in which additional information is available. Such estimates are subject to audit by the federal government or its designee.

(Continued)

(7) Assets Limited as to Use

Assets limited as to use at December 31, 2014 and 2013 include the following:

	2014	2013
Endowment funds – held for investment:		
Money market funds	$ 381,662	332,887
Corporate bonds	2,864,940	2,285,440
Mutual funds	4,597,694	3,853,247
	7,844,296	6,471,574
Nonqualified retirement funds:		
Money market funds	667,507	563,439
Mutual funds	10,215,871	7,817,065
	10,883,378	8,380,504
Project funds – money market funds	4,166,553	—
Other – money market funds	265,000	293,713
	23,159,227	15,145,791
Less current portion	4,425,553	287,713
	$ 18,733,674	14,858,078

(8) Property and Equipment

Property and equipment at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Land	$ 1,764,427	2,614
Equipment	197,197,303	178,019,676
Buildings and leasehold improvements	243,988,069	221,885,377
Buildings under capital lease obligation	15,500,439	15,500,439
	458,450,238	415,408,106
Less accumulated depreciation and amortization	241,998,279	215,044,277
	216,451,959	200,363,829
Construction in progress	7,226,429	5,095,535
Property and equipment, net	$ 223,678,388	205,459,364

(Continued)

UHS had outstanding commitments under construction contracts for renovation projects totaling approximately $864,000 and $1,734,000 at December 31, 2014 and 2013, respectively, which are expected to be financed primarily from project funds (note 10).

(9) Investments in Affiliated Organizations

UHS and its subsidiaries have investments in DL/UHS, Inc. (the Partnership) and UTMCHCS.

DL/UHS, Inc.

UHS and Dynacare Laboratory Management Limited entered into an agreement for ownership in the Partnership to operate an efficient, cost-effective, and competitive laboratory service organization. The Partnership provides UHS with laboratory testing required for its patients, as well as referral laboratory services. UHS' ownership interest is 5% and is accounted for using the equity method. UHS' investment in the Partnership at December 31, 2014 and 2013 was approximately $1,042,000 and $997,000 respectively.

Under a services agreement renewed in 2010, UHS agreed to pay a flat base rate per lab test performed. The term of the agreement is for 51 months through 2014. For the years ended December 31, 2014 and 2013, UHS incurred costs of approximately $14,676,000 and $13,253,000, respectively, related to this agreement. As of December 31, 2014 and 2013, UHS had accounts payable due to the Partnership of approximately $4,659,000 and $3,315,000, respectively.

The Partnership entered into an operating lease with UHS for the space occupied by the laboratory on UHS' premises. The term of the lease was automatically renewed in 2014 with a term of 60 months through 2019, and a monthly payment of approximately $60,000 due the first day of each month.

Under an employee services agreement, the Partnership agreed to reimburse UHS for the actual cost of laboratory employees. These costs were approximately $2,791,000 and $3,216,000 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, UHS had accounts receivable due from the Partnership of approximately $499,000 and $666,000, respectively.

University of Tennessee Medical Center Home Care Services, LLC

UHSV was previously a 33% owner of UTMCHCS with Tennessee Health Care Group, LLC (67%). The purpose of UTMCHCS is to provide home health and hospice services. Effective July 1, 2010, UHSV's ownership interest in UTMCHCS was transferred to UHS. The investment is accounted for using the equity method. For the years ended December 31, 2014 and 2013, UHS' share of UTMCHCS earnings was approximately $478,000 and $465,000, respectively. UHS received distributions of approximately $379,000 and $501,000 during the years ended December 31, 2014 and 2013, respectively. UHS' investment in UTMCHCS at December 31, 2014 and 2013 was $997,000 and $898,000, respectively.

Under an employee services agreement, UTMCHCS agreed to reimburse UHS for the actual cost of home health and hospice employees. These costs were approximately $550,000 and $679,000 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, UHS had accounts receivable due from UTMCHCS of approximately $4,600 and $170,000, respectively.

(Continued)

(10) Long-Term Debt

Long-term debt at December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Revenue bonds, 2014 Series	$ 10,000,000	—
Revenue bonds, 2010 Series	49,660,000	50,000,000
Revenue bonds, 2007 Series, net of unamortized premium of approximately $1,972,000 and $2,324,000 at December 31, 2014 and 2013, respectively	205,221,933	210,563,893
Capital lease obligations	19,613,630	17,600,105
Other	2,052,275	2,527,329
	286,547,838	280,691,327
Less current portion	13,811,183	12,347,046
	$ 272,736,655	268,344,281

(a) Revenue Bonds

2014 Series

On July 1, 2014, the Health, Educational, and Housing Facilities Board of the County of Knox issued on behalf of UHS, $10 million Revenue Bonds, Series 2014. Under the terms of the bond indenture, the proceeds, together with other financing sources, will be used to finance or reimburse the cost of additions and improvement to the Medical Center. The Revenue Bonds, Series 2014, were issued as tax-exempt bonds and bear interest, payable semiannually, at the lower of daily rate, the weekly rate, the commercial paper rate, the long-term rate or the bank rate. The long-term rate is equal to LIBOR plus 80 basis points. The Revenue Bonds, 2014 Series, constitute serial bonds due January 1, 2043, subject to installments commencing on January 1, 2037.

UHS has three years from the effective date to drawdown the total proceeds of the bonds and complete the Medical Center additions and improvements. As of December 31, 2014, UHS had drawn down $5,833,000 related to these projects.

Under the terms of the bond indenture, UHS is required to maintain certain covenants, including a minimum debt service coverage ratio, as defined, of 1.20 and days cash on hand, as defined, of not less than 60 days, as long as the Revenue Bonds, 2014 Series, are outstanding.

The Revenue Bonds, 2014 Series, are subject to redemption at the option of UHS, in whole or in part, at any time, at the redemption price of 100% plus accrued interest.

2010 Series

On December 1, 2010, the Health, Educational, and Housing Facilities Board of the County of Knox issued on behalf of UHS, $50 million Revenue Bonds, Series 2010. Under the terms of the bond indenture, the proceeds, together with other financing sources, will be used to (i) finance or reimburse

(Continued)

the costs of additions and improvements to Medical Center, (ii) capitalize a portion of the interest on the Bonds, and (iii) pay a portion of the costs of issuance of the Series 2010 Bonds. The Revenue Bonds, Series 2010, were issued as tax-exempt bonds and bear interest, payable semiannually, at a variable rate equal to 67.00% of the sum of the 30-day LIBOR plus 1.15%, plus 0.20%. The principal matures in varying annual amounts. The Revenue Bonds, 2010 Series, constitute serial bonds due January 1, 2043, subject to installments commencing on January 1, 2014.

Under the terms of the bond indenture, the Revenue Bonds, 2010 Series, are subject to tender by the owners thereof for purchase on the interest payment date immediately preceding the seventh anniversary of the effective date of the bond indenture.

Under the terms of the bond indenture, UHS is required to maintain certain covenants, including a minimum debt service coverage ratio, as defined, of 1.20 and days cash on hand, as defined, of not less than 60 days, as long as the Revenue Bonds, 2010 Series, are outstanding.

The Revenue Bonds, 2010 Series, are subject to redemption at the option of UHS, in whole or in part, at any time, at the redemption price of 100% plus accrued interest.

2007 Series

During 2007, UHS advance refunded the Revenue Bonds, Series 1999, with the proceeds of the Revenue Bonds, 2007 Series. The Series 2007 bonds were issued by the Health, Educational, and Housing Facilities Board of the County of Knox on behalf of UHS on April 27, 2007. Under the terms of the bond indenture, the proceeds, together with certain other funds, were used to (i) advance refund the Revenue Bonds, Series 1999, (ii) refinance certain taxable debt, (iii) pay a portion of the costs of acquiring, constructing, renovating, and equipping certain hospital facilities, (iv) fund capitalized interest on a portion of the project, and (v) pay the costs of issuing the Series 2007 Bonds. The Revenue Bonds, 2007 Series, were issued as tax-exempt bonds and bear interest, payable semiannually, at 4.00% to 5.25%. The principal matures in varying annual amounts. The Revenue Bonds, 2007 Series, constitute serial bonds due April 1, 2017, subject to redemption through sinking fund installments commencing on April 1, 2008, and term bonds due April 1, 2021, 2027, and 2036, subject to redemption through sinking fund installments commencing on April 1, 2020, 2022, and 2028, respectively.

Under the terms of the bond indenture, the Medical Center is required to maintain certain covenants, including a minimum debt service coverage ratio, as defined, of 1.10, as long as the Revenue Bonds, 2007 Series, are outstanding.

The Revenue Bonds, 2007 Series, maturing on or after April 1, 2017 are subject to redemption at the option of UHS, in whole or in part at any time, at the redemption price of 100% plus accrued interest.

UHS is not required to fund a debt service reserve fund. If UHS' days cash on hand falls below 60 days during the life of the bonds, UHS will be required to fund a debt service reserve fund, which can be released if days cash on hand subsequently increases above 60 days.

(Continued)

(b) Capital Lease Obligations

Pursuant to the Lease and Transfer Agreement (note 2), UHS acquired a leasehold interest in the real property of the Medical Center from the University for a term of 50 years. The guaranteed lease payment of $50 million will be paid subject to an inflation index tied to the change in net Medical Center operating revenue through 2019, as defined, in annual payments equal to the lesser of (1) 20% of UHS' annual net operating income, as defined; or (2) $3 million, subject to the index. The payment of $50 million is guaranteed by March 15, 2020. In 2019, UHS and the University will negotiate an annual lease payment for the remaining 30 years of the lease.

UHS initially recorded an asset and capital lease obligation for the real property in the amount of approximately $15,500,000, which represents the net present value of the guaranteed $50 million discounted at 5.75% from December 31, 2019. The capital lease obligation is increased monthly by interest expense and is reduced by lease payments, if any. For the years ended December 31, 2014 and 2013, the lease payment required under the agreement was approximately $3,196,000 and $2,466,000, respectively. The 2014 amount was due by March 15, 2015 and is included in current portion of long-term debt in the accompanying consolidated financial statements at December 31, 2014.

UHS entered into eight capital lease obligations in 2014 and three capital lease obligations in 2013 for Medical Center equipment. The terms of the leases range from one to six years at interest rates ranging from 0.75% to 9.1%.

At December 31, 2014 and 2013, the gross amounts of property and equipment and related accumulated amortization recorded under capital leases were as follows:

	2014	2013
Buildings	$ 15,500,439	15,500,439
Equipment	31,364,832	25,439,891
	46,865,271	40,940,330
Less accumulated amortization	30,921,135	26,519,602
	$ 15,944,136	14,420,728

Amortization of assets held under capital leases is included in depreciation and amortization expense in the accompanying consolidated statements of operations.

(Continued)

Scheduled principal payments on long-term debt at December 31, 2014 are as follows:

	Revenue bonds	Capital lease obligations	Other	Total
2015	$ 5,600,000	7,555,089	763,894	13,918,983
2016	5,880,000	2,725,164	520,900	9,126,064
2017	6,175,000	2,140,548	286,644	8,602,192
2018	6,485,000	1,515,228	274,877	8,275,105
2019	6,810,000	229,229	205,857	7,245,086
2020 and thereafter	231,960,000	14,720,298	—	246,680,298
Less amounts representing:				
Interest under capital lease obligation	—	(9,271,823)	—	(9,271,823)
Unamortized premium on long-term debt	1,971,933	—	—	1,971,933
	$ 264,881,933	19,613,733	2,052,172	286,547,838

(11) Derivative Instrument

UHS has executed a derivative financial instrument in the normal course of its business, but does not use it for trading purposes. UHS has one interest rate swap agreement that is designed to decrease the fixed-rate interest expense associated with its indebtedness.

The following table summarizes the general terms of UHS' swap agreement:

	May 2006 interest rate swap
Effective date	May 26, 2006
Associated fixed-rate debt	2007 Series
Term	23 years
Notional amount	$ 176,000,000
Rate UHS pays	SIFMA[(1)]
Rate UHS receives	68.00% of three-month LIBOR[(2)] plus 0.425%

(1) SIFMA represents the Bond Market Association Municipal Swap Index

(2) LIBOR represents the London Interbank Offered Rate

(Continued)

The fair value of the swap is the estimated amount UHS would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates. The fair value as of December 31, 2014 and 2013 of approximately $861,000 and $(4,355,000), respectively, is included in other liabilities in the consolidated balance sheets. The change in the fair value of the derivative instrument was approximately $5,216,000 and $(3,929,000), respectively, in 2014 and 2013 and is included in nonoperating gains, net in the consolidated statements of operations. Pursuant to the swap agreement, UHS is required to post collateral equal to the fair value of the liability that exceeds $10,000,000 as of the valuation date. The net settlement amount received on the swap of approximately $935,000 and $906,000 for the years ended December 31, 2014 and 2013, respectively, is included as a reduction to interest expense in the consolidated statements of operations.

(12) Related-Party Transactions

The University of Tennessee

Pursuant to the Employee Services Agreement (note 2), Medical Center employees as of July 28, 1999 were leased by UHS from the University and retained all University benefits for which they were eligible at that date. For the years ended December 31, 2014 and 2013, UHS paid approximately $52,984,000 and $56,947,000, respectively, to the University for salaries, wages, and benefits, including retirement benefits, of the leased employees.

Pursuant to the Affiliation Agreement (note 2), UHS is required to pass through to GSM certain federal and state funds earmarked for graduate medical education. For the years ended December 31, 2014 and 2013, the graduate medical education reimbursements amounted to approximately $32,726,000 and $31,807,000, respectively, and were recorded in the accompanying consolidated financial statements as net patient service revenue and as an offsetting amount in operating expenses. UHS had amounts due to GSM of approximately $8,642,000 and $8,363,000 at December 31, 2014 and 2013, respectively, which are included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

(13) Employee Benefit Plans

(a) UHS, Inc. Savings Plan

UHS maintains a 403(b) savings plan (Savings Plan) to provide its employees a tax-sheltered annuity. All employees of UHS who work 20 or more hours per week or more than 1,000 hours per calendar year and have attained age 18 are eligible to participate in the Savings Plan from the first day of employment.

Participants may elect to have certain percentages or dollars of their compensation withheld and contributed to the Savings Plan. Total contributions cannot exceed limitations set forth in the Employee Retirement Income Security Act (ERISA) guidelines. The employer contribution is 5% of each participant's compensation (no matching required). Employer contributions begin after the eligible employee has worked 12 months. Contributions and/or voluntary deductions are made to funds selected by the UHS Benefits Committee. The participant identifies the funds he/she wishes to participate in and participants who do not select funds are enrolled in the Target Date funds. Participants are immediately vested in their voluntary deductions and earnings. Prior to January 1, 2003, participants with one year of employment but less than two years of employment became 20%

(Continued)

vested in UHS contributions, and their vested percentage increased by 20% each year of employment, thereafter until they were fully vested after five years. For participants joining UHS on or after January 1, 2003, the vesting is a five-year cliff vesting, whereby the employee becomes fully vested after five years of employment. Beginning January 1, 2007, the vesting for all active employees changed to a six-year graduated vesting. Participants with two years of employment become 20% vested in UHS contributions, and their vested percentage increases by 20% each year of employment thereafter until they are fully vested after six years. Each employee with at least three years of service on January 1, 2007, who was not 100% vested, was permitted to make an irrevocable election regarding the applicable vesting schedule. For the years ended December 31, 2014 and 2013, total UHS expenses related to the Savings Plan were approximately $6,252,000 and $5,689,000, respectively.

Participants are eligible to receive the vested value of their account upon reaching the age of 59½, death, disability, or termination of employment. Hardship distributions may be requested from the employee's voluntary deductions but not the employer's contributions. Participants may elect to receive a lump-sum payment or payments over a period of time not to exceed the life expectancy of the participant or the joint life expectancy of the participant and his or her beneficiary.

As discussed in note 12, employees leased from the University retain all University benefits. Leased employees are not eligible to participate in the Savings Plan.

(b) UHS, Inc. Nonqualified Plans

UHS maintains a nonqualified deferred compensation plan for senior management, vice presidents and equivalents, and physicians. All employer contributions are subject to a seven-year vesting schedule or attainment of age 60 and contributions are made at the close of each payroll cycle.

UHS maintains a separate nonqualified plan for senior management. The employer's contributions become vested according to the age of the Participant at the time the contribution was made. Contributions to a participant's account made in a year in which the participant attains the age of fifty-seven (57) shall vest fully on January 1 of the year the Participant attains the age of sixty (60). For contributions made no later than the year in which the Participant attains the age of fifty-eight (58) and each year thereafter shall vest fully on the last business day of the year in which the contribution is made. Contributions are made at the end of each payroll cycle.

UHS maintains a separate nonqualified plan for certified registered nurse anesthetists (CRNAs). All employer contributions are subject to a seven-year vesting schedule or attainment of age 60 and contributions are made at the close of each payroll cycle.

For the years ended December 31, 2014 and 2013, total UHS expenses related to the nonqualified plans described above were approximately $2,193,000 and $2,173,000, respectively.

(14) Fair Values of Financial Instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation

(Continued)

techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The classification of an investment within the hierarchy is based upon the pricing transparency or ability to redeem the investment and does not necessarily correspond to the perceived risk of that investment. Inputs are used in applying various valuation techniques that are assumptions, which market participants used to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Assets and liabilities measured and reported at fair value are classified within the fair value hierarchy as follows:

- Level 1 – Valuations are based on quoted market prices in active markets
- Level 2 – Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs
- Level 3 – Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(Continued)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 80,939,727	—	—	80,939,727
Assets limited as to use:				
Money market funds	5,480,722	—	—	5,480,722
Corporate bonds	2,864,940	—	—	2,864,940
Mutual funds	14,813,565	—	—	14,813,565
	23,159,227	—	—	23,159,227
Interest rate derivatives asset	—	860,837	—	860,837
Long-term investments:				
Money market funds	4,636,706	—	—	4,636,706
U.S. corporate bonds	—	42,182,229	—	42,182,229
Asset-backed securities	—	17,792,736	—	17,792,736
International fixed income bonds	5,446,983	—	—	5,446,983
U.S. Treasury and agency bonds	33,982,052	34,565,102	—	68,547,154
Municipal bonds	—	3,370,672	—	3,370,672
Mutual funds & equity securities	33,615,032	—	—	33,615,032
	77,680,773	97,910,739	—	175,591,512
Total	$ 181,779,727	98,771,576	—	280,551,303

(Continued)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 69,613,960	—	—	69,613,960
Assets limited as to use:				
Money market funds	1,190,039	—	—	1,190,039
Corporate bonds	2,285,440	—	—	2,285,440
Mutual funds	11,670,312	—	—	11,670,312
	15,145,791	—	—	15,145,791
Long-term investments:				
Cash equivalents	—	—	—	—
Money market funds	4,990,301	—	—	4,990,301
U.S. corporate bonds	—	58,615,452	—	58,615,452
Asset-backed securities	—	22,092,632	—	22,092,632
International fixed income bonds	7,085,001	—	—	7,085,001
U.S. Treasury and agency bonds	15,981,915	27,440,606	—	43,422,521
Municipal bonds	—	1,430,551	—	1,430,551
Mutual funds	28,642,249	—	—	28,642,249
	56,699,466	109,579,241	—	166,278,707
Total	$ 141,459,217	109,579,241	—	251,038,458
Liabilities:				
Interest rate derivatives liability	$ —	(4,354,859)	—	(4,354,859)
Total	$ —	(4,354,859)	—	(4,354,859)

There were no transfers between any of the levels during the years ended December 30, 2014 and 2013.

(15) Commitments and Contingent Liabilities

(a) Lease Obligations

UHS leases certain buildings and equipment. These leases are classified as operating leases and have lease terms ranging from 1 to 15 years.

(Continued)

The following table is a schedule by year of future minimum rentals on noncancelable operating leases with terms in excess of one year at December 31, 2014:

2015	$ 4,711,345
2016	4,472,805
2017	4,245,497
2018	3,956,038
2019	3,560,463
2020 and thereafter	17,539,615
	$ 38,485,763

UHS' total lease expense for the years ended December 31, 2014 and 2013 was approximately $8,164,000 and $7,452,000, respectively.

(b) Risk Management Programs

UHS purchases professional and general liability insurance, subject to certain deductibles, to cover medical malpractice and other general liability claims. Effective July 28, 2002, UHS assumed a self-insured retention to cover medical malpractice and other general liability claims. On January 1, 2005, UHS assumed a self-insured retention for workers' compensation. The insurance carrier pays claims, including the deductible on behalf of UHS, and UHS reimburses the insurance carrier on a monthly basis for paid claims. Workers' compensation claim payments made by the insurance carriers within the deductible are secured by UHS via standby letters of credit in the amounts of $2,166,000 and $1,512,500 issued by Wells Fargo. UHS also maintains an umbrella policy that provides $50 million of excess liability coverage over and above the primary coverage for professional, general, automobile, workers' compensation, aviation, and ambulance liability.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients, workers' compensation, and other risks. UHS has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accordingly, accrued professional, general, workers' compensation, and other liability losses of approximately $23,341,000 and $20,078,000 are recorded in accrued expenses and other liabilities in the accompanying consolidated financial statements at December 31, 2014 and 2013, respectively, which, in management's opinion, provide an adequate accrual for such claims.

(c) Healthcare Services

The federal government has been given substantial resources and authority for the completion of fraud and abuse investigations, and substantial fines and penalties have been established for offenders. Management continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with government statutes and regulations. UHS' compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time.

(Continued)

(16) Rentals under Operating Leases

UHS leases certain office space to physician groups and a laboratory service company. These leases are classified as operating leases and have lease terms of one to eight years.

The following is a schedule, by year, of minimum future rentals on noncancelable operating leases as of December 31, 2014:

2015	$ 643,964
2016	543,935
2017	547,858
2018	425,793
2019	362,214
2020 and thereafter	2,069,491
	$ 4,593,255

(17) Functional Expenses

UHS provides healthcare services to residents within its geographic location. Expenses related to providing these services were as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Healthcare services	$ 652,110,513	589,397,748
General and administrative	44,650,336	37,046,616
	$ 696,760,849	626,444,364

(18) Subsequent Events

UHS has evaluated subsequent events from the balance sheet date through March 23, 2015, the date the consolidated financial statements were issued. No material subsequent events were identified for recognition.

KPMG LLP
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Independent Auditors' Report on Supplementary Information

The Board of Directors
University Health System, Inc.:

We have audited the consolidated financial statements of University Health System, Inc. and subsidiaries (UHS) as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon dated March 23, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of UHS' management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Nashville, Tennessee
March 23, 2015

Schedule 1

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidating Schedule – Balance Sheet Information

December 31, 2014

	Medical Center	UHSV	RTS	UCG	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ 79,682,432	762,111	213,067	282,117	—	80,939,727
Short-term investments	8,205,028	—	—	—	—	8,205,028
Current portion of assets limited as to use	4,425,553	—	—	—	—	4,425,553
Patient accounts receivable, net	79,778,697	136,727	94,341	1,424,975	—	81,434,740
Other receivables	9,840,500	—	4,278	1,899	(4,278,013)	5,568,664
Estimated third-party settlements	16,581,337	—	—	—	—	16,581,337
Inventories	5,265,960	—	—	—	—	5,265,960
Prepaid expenses and other current assets	1,639,893	—	—	—	—	1,639,893
Total current assets	205,419,400	898,838	311,686	1,708,991	(4,278,013)	204,060,902
Assets limited as to use, less current portion	18,733,674	—	—	—	—	18,733,674
Long-term investments	167,386,484	—	—	—	—	167,386,484
Property and equipment, net	223,678,388	—	—	—	—	223,678,388
Deferred financing costs, net	1,989,178	—	—	—	—	1,989,178
Investments in affiliated organizations	2,414,943	—	—	—	—	2,414,943
Other assets	3,358,101	—	—	—	—	3,358,101
Total assets	$ 622,980,168	898,838	311,686	1,708,991	(4,278,013)	621,621,670
Current liabilities:						
Current portion of long-term debt	$ 13,811,183	—	—	—	—	13,811,183
Accounts payable	61,046,268	626,981	90,722	125,106	(743,421)	61,145,656
Accrued payroll and related liabilities	38,256,550	587	—	4,242,268	(3,802,348)	38,697,057
Accrued expenses and other current liabilities	33,185,007	761	220,964	165,962	(148,442)	33,424,252
Estimated third-party settlements	8,597,135	—	—	—	—	8,597,135
Total current liabilities	154,896,143	628,329	311,686	4,533,336	(4,694,211)	155,675,283
Long-term debt, less current portion	272,736,655	—	—	—	—	272,736,655
Other liabilities	16,726,486	—	—	—	—	16,726,486
Total liabilities	444,359,284	628,329	311,686	4,533,336	(4,694,211)	445,138,424
Net assets:						
Unrestricted	168,819,183	270,509	—	(2,824,345)	416,198	166,681,545
Temporarily restricted	3,085,955	—	—	—	—	3,085,955
Permanently restricted	6,715,746	—	—	—	—	6,715,746
Total net assets	178,620,884	270,509	—	(2,824,345)	416,198	176,483,246
Commitments and contingent liabilities						
Total liabilities and net assets	$ 622,980,168	898,838	311,686	1,708,991	(4,278,013)	621,621,670

See accompanying independent auditors' report.

Schedule 2

UNIVERSITY HEALTH SYSTEM, INC.
AND SUBSIDIARIES

Consolidating Schedule – Statement of Operations Information

Year ended December 31, 2014

	Medical Center	UHSV	RTS	UCG	Eliminations	Total
Revenue:						
Net patient service revenue	$ 724,602,659	1,447,557	1,379,922	8,972,274	—	736,402,412
Provision for doubtful accounts	(69,116,314)	(71,527)	(97,884)	(635,169)	—	(69,920,894)
Net patient service revenue less provision for doubtful accounts	655,486,345	1,376,030	1,282,038	8,337,105	—	666,481,518
Other revenue	41,150,773	81	—	8,005	(497,286)	40,661,573
Total revenue	696,637,118	1,376,111	1,282,038	8,345,110	(497,286)	707,143,091
Operating expenses:						
Salaries, wages, and benefits	291,954,726	730,710	—	9,367,866	—	302,053,302
Medical supplies and drugs	181,299,368	86,043	—	407,406	(707)	181,792,110
Purchased services	101,838,442	384,429	1,282,038	659,462	(63,662)	104,100,709
Graduate medical education reimbursement	32,726,269	—	—	—	—	32,726,269
Insurance and other	35,482,055	64,254	—	734,721	(432,917)	35,848,113
Interest	12,098,087	—	—	—	—	12,098,087
Depreciation and amortization	28,142,259	—	—	—	—	28,142,259
Total operating expenses	683,541,206	1,265,436	1,282,038	11,169,455	(497,286)	696,760,849
Operating income	13,095,912	110,675	—	(2,824,345)	—	10,382,242
Nonoperating gains:						
Contributions	1,497,958	—	—	—	—	1,497,958
Investment income	5,200,939	—	—	—	—	5,200,939
Change in fair value of derivative instrument	5,215,696	—	—	—	—	5,215,696
Total nonoperating gains, net	11,914,593	—	—	—	—	11,914,593
Revenue and gains in excess of expenses and losses	$ 25,010,505	110,675	—	(2,824,345)	—	22,296,835

See accompanying independent auditors' report.

HEALTH CARE PROVIDER	CONTRACT(S)
Association of University Radiologists	Radiology Services Agreement
	Neuro-Interventional Radiology Services Agreement
University Anesthesiologists	Anesthesia Services Agreement (CRNA Agreements - 2002)
	Critical Care Coverage Agreement
University General Surgeons	Agreement for Trauma Surgical Services
	Critical Care Coverage Agreement
University Orthopaedic Surgeons	Trauma Services Agreement
Southeastern Emergency Physicians (Team Health)	Emergency Department Coverage Agreement
Regional Neonatal Associates	Services Agreement (NICU)
Neurosurgical Associates	Neurosurgical Trauma Services Agreement
East Tennessee Children's Hospital	Pediatric Intensive Care Services Agreement
Tennessee Donor Services	Statement of Agreement
Diversified Clinical Services	Management and Support Agreement (Clinical Wound Care and Hyperbaric Oxygen Therapy)
NursePro Plus, LLC	Central Line Insertion Services/PICC Insertion Agreement
LabCorp Tennessee, LLC	Hospital Laboratory Services Agreement
Premier Healthcare Solutions, Inc. f/k/a Premier, Inc.	Subscription Agreement

Biotronic Southeast, LLC	Agreement for the Provision of Comprehensive Neurophysiologic Monitoring Services
Medsurant, LLC	Intraoperative Monitoring Services Agreement

PATIENT TRANSFER AGREEMENTS

FacilityName	City	State
Angel Medical Center	Franklin	NC
Asbury Acres Retirement & Health Center	Maryville	TN
Athens Regional Medical Center	Athens	TN
Baptist Health Care Center	Lenoir City	TN
Barnes-Jewish Hospital	St. Louis	MO
Blount Memorial Hospital, Inc	Maryville	TN
Blount Memorial Transitional Care Center	Maryville	TN
Brakebill Nursing Home, Inc.	Knoxville	TN
Brookewood Nursing Center	Decatur	TN
Claiborne County Hospital and Nursing Home	Tazewell	TN
Cleveland Community Hospital (Has beep taken over by SkyRidge)	Cleveland	TN
Colonial Hills Nursing Center	Maryville	TN
Cornerstone of Recovery	Louisville	TN
Cumberland Medical Center	Crossville	TN
East Tennessee Children's Hospital	Knoxville	TN
Farragut Health Care Center (aka, Summit View of Farragut)	Knoxville	TN
Fort Loudon Medical Center	Lenoir City	TN
Fort Sanders Regional Medical Center	Knoxville	TN
Hancock Manor Nursing Home	Sneedville	TN
Hillcrest North, Div. of Hillcrest Medical Nursing Inst., Inc.	Knoxville	TN
Holston Health and Rehabilitation Center	Knoxville	TN

Jamestown Regional Medical Center	Jamestown	TN
Jefferson City Health & Rehabilitation	Jefferson City	TN
Jefferson Memorial Hospital (MHS)	Jefferson City	TN
Jellico Community Hospital	Jellico	TN
Jewish Hospital	Louisville	KY
Johnson City Medical Center (Mountain States Health Alliance	Johnson City	TN
Joseph M. Still Burn Centers, Inc. (aka, Doctors Hospital)	Augusta	GA
Knoxville Center for Reproductive Health	Knoxville	TN
LaFollette Memorial Hospital	LaFollette	TN
Lakeway Regional Hospital	Morristown	TN
Laughlin Memorial Hospital	Greeneville	TN
Laurel Manor Health Care Facility	New Tazewell	TN
LeConte Medical Center	Sevierville	TN
Life Care of Morgan County	Wartburg	TN
Loudon Healthcare Center	Loudon	TN
Maryville Healthcare and Rehabilitation Center	Maryville	TN
Methodist Medical Center of Oak Ridge	Oak Ridge	TN
Morristown Dialysis Center	Morristown	TN
Morristown-Hamblen Healthcare System	Morristown	TN
NHC Fort Sanders	Knoxville	TN
NHC Healthcare Knoxville	Knoxville	TN
NHC HealthCare of Oak Ridge	Oak Ridge	TN

NHC Healthcare, Farragut	Knoxville	TN
Newport Medical Center	Newport	TN
Norris Health and Rehabilitation Center	Andersonville	TN
North Knoxville Medical Center	Powell	TN
Northhaven Health Care Center	Knoxville	TN
Parkwest Medical Center	Knoxville	TN
Parkwest Surgery Center, L.P.	Knoxville	TN
Patricia Neal Rehabilitation Center	Knoxville	TN
Peninsula Hospital	Louisville	TN
Physicians Regional Medical Center	Knoxville	TN
Physicians Surgery Center of Knoxville	Knoxville	TN
Presbyterian Homes of TN, Inc. (d/b/a Shannondale Health Care Center)	Knoxville	TN
Roane Medical Center	Harriman	TN
Serene Manor Medical Center	Knoxville	TN
Shriners Burn Hospital	Cincinnati	OH
SkyRidge Medical Center	Cleveland	TN
Spring City Care and Rehab Center	Spring City	TN
Starr Regional Medical Center	Etowah	TN
Sweetwater Hospital	Sweetwater	TN
Sweetwater Nursing Center	Sweetwater	TN
Takoma Regional Hospital, Inc.	Greeneville	TN
Tennova Healthcare	Knoxville	TN
Tennova Medical Center of Campbell County (MHS)	LaFollette	TN
Turkey Creek Medical Center	Knoxville	TN

Urgent Care Travel	Knoxville	TN
Vanderbilt University Medical Center	Nashville	TN
Volunteer Women's Medical Clinic	Knoxville	TN
Wellmont Bristol Regional Medical Center	Bristol	TN
Wellmont Hawkins County Memorial Hospital	Rogersville	TN
Wellmont Holston Valley Medical Center	Kingsport	TN
Wood Presbyterian Home	Sweetwater	TN

EDUCATIONAL AFFILIATION AGREEMENTS

School Name	Student Discipline
Allied Health Institute	Electrocardiography Tech
American Red Cross – Knox Region	EKG Technician; Phlebotomy Technician
American Red Cross – Knox Region	Nurse Assistant
Armstrong Atlantic State College	Physical Therapy
Belmont University	Occupational Therapy
Boston University	Occupational Therapy
Breakthrough Corporation (Project SEARCH)	Job Skills/Training
Capella University	Nursing
Carson-Newman College	Nursing
Chattanooga State Community College	Diagnostic Medical & Cardiovascular Sonography & Radiation Therapy Technology; Nuclear Medicine Technology
Condensed Curriculum International, Inc.	Clinical Dialysis Technology
Crown College	Small Business & Entrepreneurship
Duke University	Physical Therapy
Eastern Kentucky University	Occupational Therapy
Emory University	Physical Therapy
East Tennessee State University	Nursing
East Tennessee State University	Physical Therapy
East Tennessee State University	MRI Technologist; Computed Tomography Certification Program
Findlay University	Physical Therapy
Florida International University	Occupational Therapy
Georgia Regents University	Physical Therapy
Georgia State University	Physical Therapy
Jefferson College of Health Sciences	Occupational Therapy
Jefferson State Community College	Physical Therapy Assistant
Kaplan University	Nursing
King University	Nursing
Lenoir-Rhyne University	Dietetic Internship Program
Liberty University	Nursing
Lincoln Memorial University	Nursing
Lincoln Memorial University	Physician Assistant
Lincoln Memorial University (with University Anesthesiologists)	Nurse Anesthetists
Medical College of Georgia	Physical Therapy
Medical University of South Carolina	Physical Therapy; Occupational Therapy
Memphis Theological Seminary	Seminary
Mercer University	Physical Therapy
Middle Tennessee State University	Nursing
Milligan College	Occupational Therapy
New York University	Physical Therapy
New York University	Occupational Therapy
Northwestern University	Physical Therapy

EDUCATIONAL AFFILIATION AGREEMENTS

Nova Southeastern University	Occupational Therapy
Pellissippi State Community College	Nursing
Pellissippi State Community College	Business & Computer Technology
Roane State Community College	EMT; Health Information Technology; Massage Therapy; Medical Transcription; Occupation Therapy Assistant; Pharmacy Technician; Physical Therapist Assistant; Polysomonography; Radiologic Technology; Respiratory Therapy
Roane State Community College	Nursing
Saint Francis University	Physical Therapy
Samford University	Nursing
South College	Physical Therapist Assistant
South College	Physician Assistant
Southeastern Kentucky Community and Technical College	Respiratory Therapy
Southern Adventist University	Nursing
State University of NY – Delhi	Nursing
Tennessee Board of Regents – Online Degree	Nursing (agreements per student; average 6-8 students a year)
Tennessee College of Applied Technology – Crossville	Surgical Technology
Tennessee College of Applied Technology – Knoxville	Surgical Technology
Tennessee State University	Physical Therapy; Occupational Therapy
Tennessee Technological University	Nursing
Tennessee Wesleyan College	Nursing
Texas Woman's University	Occupational Therapy
Towson University	Occupational Therapy
University of Alabama Birmingham	Physical Therapy; Occupational Therapy
University of Bradford	Health Sciences
University of Findlay	Physical Therapy; Occupational Therapy; Recreational Therapy
University of Houston	Dietetic Internship Program
University of Kentucky	Physical Therapy
University of Miami	Physical Therapy
University of Saint Augustine for Health Sciences	Physical Therapy; Occupational Therapy
University of South Alabama	Nursing
University of South Carolina	Physical Therapy
University of Southern California	Social Work
University of Tennessee Chattanooga	Nursing
University of Tennessee Chattanooga	Occupational Therapy
University of Tennessee Chattanooga	Physical Therapy
University of Tennessee College of Pharmacy	Pharmacy
University of Tennessee Knoxville	Nursing
University of Tennessee Knoxville	Exercise Science
University of Tennessee Knoxville	Social Work
University of Tennessee Knoxville	Speech Language Pathology and Audiology; Physical Therapy;

EDUCATIONAL AFFILIATION AGREEMENTS

	Occupational Therapy
University of Tennessee Health Science Center	Nursing
Utica College	Nursing
Vanderbilt University	Nursing
Virginia College	Surgical Technology; Medical Assistant
Virginia Commonwealth University	Physical Therapy (Doctorate)
Walden University, LLC	Nursing
Walters State Community College	Nursing
Walters State Community College	Paramedic
Walters State Community College	Respiratory Therapy
Walters State Community College	Physical Therapist Assistant
Western Kentucky University	Physical Therapy (Doctorate)

Board for Licensing Health Care Facilities

State of Tennessee

0000000046

No. of Beds 0581

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

UNIVERSITY HEALTH SYSTEM, INC *to conduct and maintain a*

Hospital THE UNIVERSITY OF TENNESSEE MEDICAL CENTER

Located at 1924 ALCOA HIGHWAY, KNOXVILLE

County of KNOX *, Tennessee.*

This license shall expire MARCH 04 , 2016 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 4TH *day of* MARCH , 2015 .

In the Distinct Category(ies) of:
GENERAL HOSPITAL
PEDIATRIC GENERAL HOSPITAL
TRAUMA CENTER LEVEL 1

By Vincent J. Dario, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By
COMMISSIONER

The Joint Commission

March 24, 2015

Joe Landsman, CPA
CEO
The University of Tennessee Medical Center
1924 Alcoa Highway
Knoxville, TN 37920

Joint Commission ID #: 7853
Program: Hospital Accreditation
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 03/24/2015

Dear Mr. Landsman:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning September 13, 2014. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS

Chief Operating Officer

Division of Accreditation and Certification Operations

Attachment C, III, Economic Feasibility, 8

Official Accreditation Report

The University of Tennessee Medical Center
1924 Alcoa Highway
Knoxville, TN 37920

Organization Identification Number: 7853

Evidence of Standards Compliance (60 Day) Submitted: 11/14/2014

Executive Summary

Program(s)
Hospital Accreditation

Submit Date
11/14/2014

Hospital Accreditation :

As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

You will have follow-up in the area(s) indicated below:

- Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Requirements for Improvement – Summary

Program	Standard	Level of Compliance
HAP	EC.02.05.09	Compliant
HAP	EC.02.06.01	Compliant
HAP	LD.04.01.05	Compliant
HAP	LS.02.01.20	Compliant
HAP	LS.02.01.30	Compliant
HAP	LS.02.01.35	Compliant
HAP	MM.03.01.01	Compliant
HAP	MM.05.01.01	Compliant
HAP	PC.01.02.03	Compliant
HAP	RC.01.01.01	Compliant
HAP	RC.02.03.07	Compliant
HAP	RI.01.03.01	Compliant

The Joint Commission
Summary of CMS Findings

CoP: §482.11 **Tag:** A-0020 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.11 Condition of Participation: Compliance with Federal, State and Local Laws

CoP Standard	Tag	Corresponds to	Deficiency
§482.11(c)	A-0023	HAP - HR.01.02.05/EP1	Compliant

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(1)	A-0450	HAP - RC.01.01.01/EP6, EP19	Compliant
§482.24(c)(4)(v)	A-0466	HAP - RI.01.03.01/EP13	Compliant
§482.24(c)(2)	A-0450	HAP - RC.02.03.07/EP4	Compliant

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.06.01/EP1	Compliant
§482.41(c)(4)	A-0726	HAP - EC.02.06.01/EP13	Compliant
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.20/EP13, LS.02.01.30/EP6, LS.02.01.35/EP4	Compliant
§482.41(c)(2)	A-0724	HAP - EC.02.05.09/EP3	Compliant

CoP: §482.51 **Tag:** A-0940 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

The Joint Commission
Summary of CMS Findings

CoP Standard	Tag	Corresponds to	Deficiency
§482.51(b)(1)(ii)	A-0952	HAP - PC.01.02.03/EP5	Compliant

Official Accreditation Report

The University of Tennessee Medical Center
1924 Alcoa Highway
Knoxville, TN 37920

Organization Identification Number: 7853

Unannounced Full Event: 9/9/2014 - 9/12/2014

Report Contents

Executive Summary

Requirements for Improvement

Observations noted within the Requirements for Improvement (RFI) section require follow up through the Evidence of Standards Compliance (ESC) process. The timeframe assigned for completion is due in either 45 or 60 days, depending upon whether the observation was noted within a direct or indirect impact standard. The identified timeframes of submission for each observation are found within the Requirements for Improvement Summary portion of the final onsite survey report. If a follow-up survey is required, the unannounced visit will focus on the requirements for improvement although other areas, if observed, could still become findings. The time frame for performing the unannounced follow-up visit is dependent on the scope and severity of the issues identified within the Requirements for Improvement.

Opportunities for Improvement

Observations noted within the Opportunities for Improvement (OFI) section of the report represent single instances of non-compliance noted under a C category Element of Performance. Although these observations do not require official follow up through the Evidence of Standards Compliance (ESC) process, they are included to provide your organization with a robust analysis of all instances of non-compliance noted during survey.

Plan for Improvement

The Plan for Improvement (PFI) items were extracted from your Statement of Conditions™ (SOC) and represent all open and accepted PFIs during this survey. The number of open and accepted PFIs does not impact your accreditation status, and is fully in sync with the self-assessment process of the SOC. The implementation of Interim Life Safety Measures (ILSM) must have been assessed for each PFI. The Projected Completion Date within each PFI replaces the need for an individual ESC (Evidence of Standards Compliance) so the corrective action must be achieved within six months of the Projected Completion Date. Future surveys will review the completed history of these PFIs.

Executive Summary

Program(s)
Hospital Accreditation

Survey Date(s)
09/09/2014-09/12/2014

Hospital Accreditation : As a result of the accreditation activity conducted on the above date(s), Requirements for Improvement have been identified in your report.

You will have follow-up in the area(s) indicated below:

- Evidence of Standards Compliance (ESC)

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Requirements for Improvement – Summary

Observations noted within the Requirements for Improvement (RFI) section require follow up through the Evidence of Standards Compliance (ESC) process. The timeframe assigned for completion is due in either 45 or 60 days, depending upon whether the observation was noted within a direct or indirect impact standard. The identified timeframes of submission for each observation are found within the Requirements for Improvement Summary portion of the final onsite survey report. If a follow-up survey is required, the unannounced visit will focus on the requirements for improvement although other areas, if observed, could still become findings. The time frame for performing the unannounced follow-up visit is dependent on the scope and severity of the issues identified within the Requirements for Improvement.

Evidence of DIRECT Impact Standards Compliance is due within 45 days from the day the survey report was originally posted to your organization's extranet site:

Program:	Hospital Accreditation Program	
Standards:	EC.02.02.01	EP7
	PC.01.03.01	EP1

Evidence of INDIRECT Impact Standards Compliance is due within 60 days from the day the survey report was originally posted to your organization's extranet site:

Program:	Hospital Accreditation Program	
Standards:	EC.02.05.09	EP3
	EC.02.06.01	EP1,EP13
	HR.01.02.05	EP1
	LD.04.01.05	EP4,EP5
	LS.02.01.20	EP13
	LS.02.01.30	EP6
	LS.02.01.35	EP4
	MM.03.01.01	EP6
	MM.05.01.01	EP1
	PC.01.02.03	EP5
	RC.01.01.01	EP6,EP19
	RC.02.03.07	EP4
	RI.01.03.01	EP13

CoP: §482.11 **Tag:** A-0020 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.11 Condition of Participation: Compliance with Federal, State and Local Laws

CoP Standard	Tag	Corresponds to	Deficiency
§482.11(c)	A-0023	HAP - HR.01.02.05/EP1	Standard

CoP: §482.23 **Tag:** A-0385 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse.

CoP Standard	Tag	Corresponds to	Deficiency
§482.23(b)(4)	A-0396	HAP - PC.01.03.01/EP1	Standard

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(4)(v)	A-0466	HAP - RI.01.03.01/EP13	Standard
§482.24(c)(1)	A-0450	HAP - RC.01.01.01/EP6, EP19	Standard
§482.24(c)(2)	A-0450	HAP - RC.02.03.07/EP4	Standard

CoP: §482.26 **Tag:** A-0528 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.26 Condition of Participation: Radiologic Services

The hospital must maintain, or have available, diagnostic radiologic services. If therapeutic services are also provided, they, as well as the diagnostic services, must meet professionally approved standards for safety and personnel qualifications.

CoP Standard	Tag	Corresponds to	Deficiency
§482.26(b)(1)	A-0536	HAP - EC.02.02.01/EP7	Standard

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.06.01/EP1	Standard
§482.41(c)(4)	A-0726	HAP - EC.02.06.01/EP13	Standard
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.20/EP13, LS.02.01.30/EP6, LS.02.01.35/EP4	Standard
§482.41(c)(2)	A-0724	HAP - EC.02.05.09/EP3	Standard

CoP: §482.51 **Tag:** A-0940 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP Standard	Tag	Corresponds to	Deficiency
§482.51(b)(1)(ii)	A-0952	HAP - PC.01.02.03/EP5	Standard

Requirements for Improvement – Detail

Chapter: Environment of Care

Program: Hospital Accreditation

Standard: EC.02.02.01 ESC 45 days

Standard Text: The hospital manages risks related to hazardous materials and waste.

Element(s) of Performance:

7. The hospital minimizes risks associated with selecting and using hazardous energy sources. Note: Hazardous energy is produced by both ionizing equipment (for example, radiation and x-ray equipment) and nonionizing equipment (for example, lasers and MRIs). 

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 7
§482.26(b)(1) - (A-0536) - (1) Proper safety precautions must be maintained against radiation hazards. This includes adequate shielding for patients, personnel, and facilities, as well as appropriate storage, use and disposal of radioactive materials.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Radiology protective aprons stored in the Cath Lab were noted hanging in a folded manner which creates risk for compromising their integrity.

Chapter: Environment of Care

Program: Hospital Accreditation

Standard: EC.02.05.09 ESC 60 days

Standard Text: The hospital inspects, tests, and maintains medical gas and vacuum systems. Note: This standard does not require hospitals to have the medical gas and vacuum systems discussed below. However, if a hospital has these types of systems, then the following inspection, testing, and maintenance requirements apply.

Element(s) of Performance:

3. The hospital makes main supply valves and area shutoff valves for piped medical gas and vacuum systems accessible and clearly identifies what the valves control. 

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 3
§482.41(c)(2) - (A-0724) - (2) Facilities, supplies, and equipment must be maintained to ensure an acceptable level of safety and quality.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located at the door leading into pre-op surgery there was an oxygen cut off valve that was not labeled as to what it controlled.

Chapter: Environment of Care

Program: Hospital Accreditation

Standard: EC.02.06.01 ESC 60 days

Standard Text: The hospital establishes and maintains a safe, functional environment.
Note: The environment is constructed, arranged, and maintained to foster patient safety, provide facilities for diagnosis and treatment, and provide for special services appropriate to the needs of the community.

Element(s) of Performance:

1. Interior spaces meet the needs of the patient population and are safe and suitable to the care, treatment, and services provided. 

Scoring Category : C
Score : Insufficient Compliance

13. The hospital maintains ventilation, temperature, and humidity levels suitable for the care, treatment, and services provided. (See also EC.02.05.01, EP 6) 

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 1
§482.41(a) - (A-0701) - §482.41(a) Standard: Buildings

The condition of the physical plant and the overall hospital environment must be developed and maintained in such a manner that the safety and well-being of patients are assured.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The electrical distribution panel located in the corridor near room 755 was found to be unlocked.
Note: The maintenance team said they should be locked.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The electrical distribution panel located in the corridor near room 740 was found to be unlocked.
Note: The maintenance team said they should be locked.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The electrical distribution panel located in the corridor near room 736 was found to be unlocked.
Note: The maintenance team said they should be locked.

EP 13
§482.41(c)(4) - (A-0726) - (4) There must be proper ventilation, light, and temperature controls in pharmaceutical, food preparation, and other appropriate areas.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The decontamination room located on the 3rd floor tested as positive airflow to the corridor.

Chapter:	Human Resources
Program:	Hospital Accreditation
Standard:	HR.01.02.05
Standard Text:	The hospital verifies staff qualifications.

ESC 60 days

Element(s) of Performance:

1. When law or regulation requires care providers to be currently licensed, certified, or registered to practice their professions, the hospital both verifies these credentials with the primary source and documents this verification when a provider is hired and when his or her credentials are renewed. (See also HR.01.02.07, EP 2)
Note 1: It is acceptable to verify current licensure, certification, or registration with the primary source via a secure electronic communication or by telephone, if this verification is documented.
Note 2: A primary verification source may designate another agency to communicate credentials information. The designated agency can then be used as a primary source.
Note 3: An external organization (for example, a credentials verification organization [CVO]) may be used to verify credentials information. A CVO must meet the CVO guidelines identified in the Glossary.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 1
§482.11(c) - (A-0023) - (c) The hospital must assure that personnel are licensed or meet other applicable standards that are required by State or local laws.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Review of the personnel file of a contract nurse who placed a PICC line, did not contain evidence that the primary source verification of licensure was completed prior to the expiration date of the license. Note that this nurse did possess a current license.

Chapter: Leadership
Program: Hospital Accreditation
Standard: LD.04.01.05

Standard Text: The hospital effectively manages its programs, services, sites, or departments.

Element(s) of Performance:

4. Staff are held accountable for their responsibilities.

Scoring Category : A
Score : Insufficient Compliance

5. Leaders provide for the coordination of care, treatment, and services among the hospital's different programs, services, sites, or departments. (See also NR.01.01.01, EP 1)

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 4
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site.
During tracer activities it was noted that platelets were ordered in the Pre-Procedure Area.. The initial vital signs were taken and documented. The patient was then transferred to the Procedure Area with the platelets. The platelets were hung in the Procedure Area. The staff in the Procedure Area did not document the q 15 minute vital signs on the Transfusion Record as required by policy. There was also no documentation of the start and end time of the transfusion as required by policy.

EP 5
Observed in Tracer Activities at UT Sleep Center (420 W. Morris Blvd, Suite 400-H, Morristown, TN) site. During the outpatient visit medical orders for the patient receiving sleep studies was traced. The process revealed specific sleep orders that had been received from the LIP for individual patients. The process was to rewrite the original physician order on an identical order sheet for processing. The second order sheet had a physician signature previously affixed to a blank form. During further tracing it was discovered that approximately 40 - 45 blank order sheets were kept within the department, each with a different physician signature already affixed to the blank order form.

Chapter: Life Safety

Program: Hospital Accreditation

Standard: LS.02.01.20

Standard Text: The hospital maintains the integrity of the means of egress.

Element(s) of Performance:

13. Exits, exit accesses, and exit discharges are clear of obstructions or impediments to the public way, such as clutter (for example, equipment, carts, furniture), construction material, and snow and ice. (For full text and any exceptions, refer to NFPA 101 -2000: 7.1.10.1)

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 13
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located on the medical critical care unit 2-on the 5th floor there was a work station on wheels being stored in the path of egress, plugged up for the purpose of being charged.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located on the medical critical care unit 2-on the 5th floor there was a second work station on wheels being stored in the path of egress, plugged up for the purpose of being charged.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located on the medical critical care unit 2-on the 5th floor there was a third work station on wheels being stored in the path of egress, plugged up for the purpose of being charged.

Chapter:	Life Safety
Program:	Hospital Accreditation
Standard:	LS.02.01.30
Standard Text:	The hospital provides and maintains building features to protect individuals from the hazards of fire and smoke.

ESC 60 days

Element(s) of Performance:

6. Existing corridor partitions are fire rated for 1/2 hour, are continuous from the floor slab to the floor or roof slab above, extend through any concealed spaces (such as those above suspended ceilings and interstitial spaces), are properly sealed, and are constructed to limit the transfer of smoke.
Note: In smoke compartments protected throughout with an approved supervised sprinkler system, corridor partitions are allowed to terminate at the ceiling if the ceiling is constructed to limit the passage of smoke. The passage of smoke can be limited by an exposed, suspended-grid acoustical tile ceiling. The following ceiling features also limit the passage of smoke: sprinkler piping and sprinklers that penetrate the ceiling; ducted heating, ventilating, and air-conditioning (HVAC) supply and return-air diffusers; speakers; and recessed lighting fixtures. (For full text and any exceptions, refer to NFPA 101-2000: 19.3.6.2.1 and 19.3.6.2.2)

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 6
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to:
http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
It was noted while on survey that in the corridor outside operating room # 32 there was a missing escutcheon ring around a sprinkler head.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
It was noted while on survey that in the corridor outside operating room # 32 there was a second missing escutcheon ring around a sprinkler head.

Chapter: Life Safety
Program: Hospital Accreditation
Standard: LS.02.01.35

ESC 60 days

Standard Text: The hospital provides and maintains systems for extinguishing fires.

Element(s) of Performance:

4. Piping for approved automatic sprinkler systems is not used to support any other item. (For full text and any exceptions, refer to NFPA 25-1998: 2-2.2)

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 4
§482.41(b)(1)(i) - (A-0710) - (i) The hospital must meet the applicable provisions of the 2000 edition of the Life Safety Code of the National Fire Protection Association. The Director of the Office of the Federal Register has approved the NFPA 101®2000 edition of the Life Safety Code, issued January 14, 2000, for incorporation by reference in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. A copy of the Code is available for inspection at the CMS Information Resource Center, 7500 Security Boulevard, Baltimore, MD or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

Copies may be obtained from the National Fire Protection Association, 1 Batterymarch Park, Quincy, MA 02269. If any changes in this edition of the Code are incorporated by reference, CMS will publish notice in the Federal Register to announce the changes.
This Standard is NOT MET as evidenced by:
Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located in the east penthouse near the ceiling there was a large bundle of antenna cables supported by the support system for the approved automatic sprinkler system.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located in the east penthouse near the ceiling there was a second large bundle of antenna cables supported by the support system for the approved automatic sprinkler system.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located in the east penthouse near the ceiling there was a third place where a large bundle of antenna cables supported by the support system for the approved automatic sprinkler system.

Observed in Building Tour at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
Located in the east penthouse near the ceiling there was a fourth place where a large bundle of antenna cables supported by the support system for the approved automatic sprinkler system.

Chapter: Medication Management
Program: Hospital Accreditation
Standard: MM.03.01.01

ESC 60 days

Standard Text: The hospital safely stores medications.

The Joint Commission
Findings

Element(s) of Performance:

6. The hospital prevents unauthorized individuals from obtaining medications in accordance with its policy and law and regulation.
Note: This element of performance is also applicable to sample medications.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 6
Observed in Tracer Visit at University Cancer Specialists (270 Joule Street, Alcoa, TN) site.
During the tracer visit a red plastic box was found to contain rescue drugs. The box was held closed by an integrity tag and was stored in an unlocked cabinet. During the day the cabinet was visualized at all times. During off hours, nights and weekends, the cabinet was not being secured. Cleaning personnel were verified as having access to the clinic when hospital personnel were not present.

Chapter: Medication Management

Program: Hospital Accreditation

Standard: MM.05.01.01

Standard Text: A pharmacist reviews the appropriateness of all medication orders for medications to be dispensed in the hospital.

Element(s) of Performance:

1. Before dispensing or removing medications from floor stock or from an automated storage and distribution device, a pharmacist reviews all medication orders or prescriptions unless a licensed independent practitioner controls the ordering, preparation, and administration of the medication or when a delay would harm the patient in an urgent situation (including sudden changes in a patient's clinical status), in accordance with law and regulation.
Note 1: The Joint Commission permits emergency departments to broadly apply two exceptions in regard to Standard MM.05.01.01, EP 1. These exceptions are intended to minimize treatment delays and patient back-up. The first exception allows medications ordered by a licensed independent practitioner to be administered by staff who are permitted to do so by virtue of education, training, and organization policy (such as a registered nurse) and in accordance with law and regulation. A licensed independent practitioner is not required to remain at the bedside when the medication is administered. However, a licensed independent practitioner must be available to provide immediate intervention should a patient experience an adverse drug event. The second exception allows medications to be administered in urgent situations when a delay in doing so would harm the patient.
Note 2: A hospital's radiology service (including hospital-associated ambulatory radiology) will be expected to define, through protocol or policy, the role of the licensed independent practitioner in the direct supervision of a patient during and after IV contrast media is administered including the licensed independent practitioner's timely intervention in the event of a patient emergency.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 1
Observed in Tracer Activities at University Cancer Specialists (270 Joule Street, Alcoa, TN) site.
During tracer activity of a patient receiving outpatient chemotherapy the record was reviewed for accuracy of medical order to infusion. The medical order included a number of pre medication drugs prior to the chemo infusion. When the medical orders were sent to Pharmacy they did not include the medication list currently taken by the patient. The Pharmacy had sent the multiple drugs to the department for administration without evidence of review and comparison to the current list of active medications.

Observed in Tracer Activities at University Cancer Specialists (2480 Highway 72 North, Loudon, TN) site.
During tracer activity of a second patient receiving outpatient chemotherapy the record was reviewed for accuracy of medical order to infusion. The medical order included a number of pre medication drugs prior to the chemo infusion. When the medical orders were sent to Pharmacy they did not include the medication list currently taken by the patient. The Pharmacy had sent the multiple drugs to the department for administration without evidence of review and comparison to the current list of active medications

Observed in Tracer Activities at The UTMC Outpatient Infusion Therapy (11440 Parkside Drive Suite 202, Knoxville, TN) site.
During tracer activity of a third patient receiving outpatient chemotherapy the record was reviewed for accuracy of medical order to infusion. The medical order included a number of pre medication drugs prior to the chemo infusion. When the medical orders were sent to Pharmacy they did not include the medication list currently taken by the patient. The Pharmacy had sent the multiple drugs to the department for administration without evidence of review and comparison to the current list of active medications

Observed in Tracer Visit at University Cancer Specialists (1907 West Morris Blvd, Suite F, Morristown, TN) site.
During tracer activity of a fourth patient receiving outpatient chemotherapy the record was reviewed for accuracy of medical order to infusion. The medical order included a number of pre medication drugs prior to the chemo infusion. When the medical orders were sent to Pharmacy they did not include the medication list currently taken by the patient. The Pharmacy had sent the multiple drugs to the department for administration without evidence of review and comparison to the current list of active medications.

Observed in Tracer Activities at University Cancer Specialists (1108 Fox Meadows Blvd. Suite 1, Sevierville, TN) site.
During tracer activity of a fifth patient receiving outpatient chemotherapy the record was reviewed for accuracy of medical order to infusion. The medical order included a number of pre medication drugs prior to the chemo infusion. When the medical orders were sent to Pharmacy they did not include the medication list currently taken by the patient. The Pharmacy had sent the multiple drugs to the department for administration without evidence of review and comparison to the current list of active medications.

Chapter:	Provision of Care, Treatment, and Services
Program:	Hospital Accreditation
Standard:	PC.01.02.03 ESC 60 days
Standard Text:	The hospital assesses and reassesses the patient and his or her condition according to defined time frames.

Element(s) of Performance:

5. For a medical history and physical examination that was completed within 30 days prior to registration or inpatient admission, an update documenting any changes in the patient's condition is completed within 24 hours after registration or inpatient admission, but prior to surgery or a procedure requiring anesthesia services. (See also MS.03.01.01, EP 8; RC.02.01.03, EP 3)

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 5
§482.51(b)(1)(ii) - (A-0952) - (ii) An updated examination of the patient, including any changes in the patient's condition, must be completed and documented within 24 hours after admission or registration when the medical history and physical examination are completed within 30 days before admission or registration.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities it was noted that the H and P prior to surgery was not updated as required by standard and policy.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities it was noted that the H and P update was not documented prior to surgery as required by standard and hospital policy.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.01.03.01

Standard Text: The hospital plans the patient's care.

Element(s) of Performance:

1. The hospital plans the patient's care, treatment, and services based on needs identified by the patient's assessment, reassessment, and results of diagnostic testing. (See also RC.02.01.01, EP 2)

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 1
§482.23(b)(4) - (A-0396) - (4) The hospital must ensure that the nursing staff develops, and keeps current, a nursing care plan for each patient. The nursing care plan may be part of an interdisciplinary care plan.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The care plan of a patient with a peritoneal dialysis catheter had potential for infection included in the problems. However, the care plan stated the potential source for the infection was the IV and did not include the peritoneal dialysis catheter nor any interventions to prevent infection of the catheter.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The care plan of a patient in contact isolation for MRSA did not include contact precautions as an intervention.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.01.01.01 ESC 60 days

Standard Text: The hospital maintains complete and accurate medical records for each individual patient.

Element(s) of Performance:

19. For hospitals that use Joint Commission accreditation for deemed status purposes: All entries in the medical record, including all orders, are timed. 4

Scoring Category : C
Score : Insufficient Compliance

6. The medical record contains the information needed to justify the patient's care, treatment, and services. 4

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 6
§482.24(c)(1) - (A-0450) - (1) All patient medical record entries must be legible, complete, dated, timed, and authenticated in written or electronic form by the person responsible for providing or evaluating the service provided, consistent with hospital policies and procedures.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities it was noted that a Pharmacist on a medical surgical unit used a strike out(really curly Q"s) to a change documentation in the record for date and time of entry. Hospital policy requires strike out to include name ,date and time of strike out.

Observed in Tracer Activities at The UTMC Outpatient Infusion Therapy (11440 Parkside Drive Suite 202, Knoxville, TN) site for the Hospital deemed service.
During tracer activities the medical record of an infusion patient contained medical orders with a strike out and medication dosage change. The hospital policy requires a strike out to include the author name with date and time. None of the required elements were found on the order sheet.

EP 19
§482.24(c)(1) - (A-0450) - (1) All patient medical record entries must be legible, complete, dated, timed, and authenticated in written or electronic form by the person responsible for providing or evaluating the service provided, consistent with hospital policies and procedures.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities in the Neuro/Trauma Unit it was noted that a resident physician did not time the documentation on the Multiple Trauma Exam as required by hospital policy and standard.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
There was a Progress Note and an Order that was not timed as required by standard and hospital policy.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During review of the Preoperative/Preprocedural Transfer Status Checklist it was noted that the form was not timed by the nurse who completed the form.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
It was noted during tracer activity, that the anesthesia orders were not timed by the physician.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.02.03.07 ESC 60 days

Standard Text: Qualified staff receive and record verbal orders.

Element(s) of Performance:

4. Verbal orders are authenticated within the time frame specified by law and regulation. 4

Scoring Category : C
Score : Partial Compliance

Observation(s):

EP 4
§482.24(c)(2) - (A-0450) - (2) All orders, including verbal orders, must be dated, timed, and authenticated promptly by the ordering practitioner or by another practitioner who is responsible for the care of the patient only if such a practitioner is acting in accordance with State law, including scope-of-practice laws, hospital policies, and medical staff bylaws, rules, and regulations.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities on 9/9 it was noted that a telephone order from 9/6 was not authenticated within the 48 hour time frame denoted in the hospital policy.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities on 9/9 it was noted that a telephone order on 9/4 was not authenticated within the appropriate time frame. The order was authenticated with the physician's signature but there was no date and time of the authentication. The surveyor was unable to determine if the order was authenticated within the appropriate time frame.

Chapter: Rights and Responsibilities of the Individual

Program: Hospital Accreditation

Standard: RI.01.03.01 ESC 60 days

Standard Text: The hospital honors the patient's right to give or withhold informed consent.

Element(s) of Performance:

13. Informed consent is obtained in accordance with the hospital's policy and processes and, except in emergencies, prior to surgery. (See also RC.02.01.01, EP 4) 

Scoring Category : C
Score : Insufficient Compliance

Observation(s):

EP 13
§482.24(c)(4)(v) - (A-0466) - [All records must document the following, as appropriate:]

(v) Properly executed informed consent forms for procedures and treatments specified by the medical staff, or by Federal or State law if applicable, to require written patient consent.
This Standard is NOT MET as evidenced by:
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activities it was noted that an anesthesia consent form included four types of anesthesia: General,Spinal, Block,Moderate Sedation etc. There was no documentation of the type of the anesthesia planned for the consent being obtained. The patient signed the consent without an anesthesia type being defined for the patient and procedure. According to CMS Interpretive Guidelines states,"A properly executed informed consent contains the following minimum elements....name of specific treatment be provided.

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
The Anesthesia Informed Consent Form included four different potential anesthesia services, i.e. General, Spinal, Block, Moderate Sedation. There was no indication on the Form as to the type of service for which consent was being given. Another anesthesiologist in the Day Surgery Center completed the Anesthesia Informed Consent Form by indicating which of the services he would be providing. This was an indication of a lack of consistency in the process for obtaining informed consents.
According to the CMS Interpretive Guidelines; "A properly executed informed consent form contains the following minimum elements:.....Name of the specific...type of medical treatment for which consent is being given."

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
In a second record, the Anesthesia Informed Consent Form included four different potential anesthesia services, i.e. General, Spinal, Block, Moderate Sedation. There was no indication on the Form as to which type of service for which consent was being given. Another anesthesiologist in the Day Surgery Center completed the Anesthesia Informed Consent Form by indicating which of the services he would be providing. This was an indication of a lack of consistency in the process for obtaining informed consents.
According to the CMS Interpretive Guidelines; "A properly executed informed consent form contains the following minimum elements:.....Name of the specific...type of medical treatment for which consent is being given."

Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway, Knoxville, TN) site for the Hospital deemed service.
During tracer activity in the Dialysis Unit, it was noted that the patient had signed a consent form for anesthesia that described four different types of anesthesia. The anesthesia provider did not denote the specific anesthesia that was planned for the patient. According to CMS Interpretive Guidelines states,"A properly executed informed consent contains the following minimum elements....name of specific treatment be provided."

Opportunities for Improvement – Summary

Observations noted within the Opportunities for Improvement (OFI) section of the report represent single instances of non-compliance noted under a C category Element of Performance. Although these observations do not require official follow up through the Evidence of Standards Compliance (ESC) process, they are included to provide your organization with a robust analysis of all instances of non-compliance noted during survey.

Program:	Hospital Accreditation Program	
Standards:	IC.02.01.01	EP1,EP3
	MM.04.01.01	EP13
	PC.01.02.03	EP4
	PC.02.01.21	EP2
	PC.02.02.03	EP11
	PC.04.01.05	EP8
	RC.01.01.01	EP7
	RC.02.01.03	EP7

Opportunities for Improvement – Detail

Chapter: Infection Prevention and Control

Program: Hospital Accreditation

Standard: IC.02.01.01

Standard Text: The hospital implements its infection prevention and control plan.

Element(s) of Performance:

1. The hospital implements its infection prevention and control activities, including surveillance, to minimize, reduce, or eliminate the risk of infection.

Scoring Category : C
Score : Satisfactory Compliance

3. The hospital implements transmission-based precautions * in response to the pathogens that are suspected or identified within the hospital's service setting and community.
Note: Transmission-based precautions are infection prevention and control measures to protect against exposure to a suspected or identified pathogen. These precautions are specific and based on the way the pathogen is transmitted. Categories include contact, droplet, airborne, or a combination of these precautions.
Footnote *: For further information regarding transmission-based precautions, refer to the website of the Centers for Disease Control and Prevention (CDC) at http://www.cdc.gov/hai/ (Infection Control in Healthcare Settings).

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP1
Observed in Tracer Activities at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
During the dietary tracer, the dishwasher temperature logs stated that if the final rinse temperature was below 180 degrees that the Eco San chemical should be used. On two occasions in September there was no indication that the EcoSan had been added when the temperature was recorded as 160 degrees.
EP3
Observed in Tracer Visit at University Cancer Specialists (270 Joule Street,Alcoa,TN) site.
During tracer activity laryngoscope blades were found to be contained in a hard plastic container. When the container was opened the blades were found to be clean but uncovered with no protection from exposure or contamination.

Chapter: Medication Management

Program: Hospital Accreditation

Standard: MM.04.01.01

Standard Text: Medication orders are clear and accurate.

Element(s) of Performance:

13. The hospital implements its policies for medication orders.

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP13
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
Review of sedation orders on a patient in the TSICU, revealed that the physician did not include the target Ramsey sedation score; the score was left blank on the order sheet. The hospital policy, Medication Order Content, revised 4/12 states, "If a medication order lacks required components as listed above or is illegible/unclear, the prescriber will be contacted for clarification."

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.01.02.03

Standard Text: The hospital assesses and reassesses the patient and his or her condition according to defined time frames.

Element(s) of Performance:

4. The patient receives a medical history and physical examination no more than 30 days prior to, or within 24 hours after, registration or inpatient admission, but prior to surgery or a procedure requiring anesthesia services. (See also MS.03.01.01, EP 6; RC.02.01.03, EP 3)

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP4
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
For a patient who was admitted on 9/6/14, and underwent an AV fistula revision on 9/7/14, the history and physical was not able to be located on the day of tracer review (9/9/14). Of note, the H&P had been dictated but not transcribed at the time of the procedure (the transcription was located the day of the tracer)and a handwritten H&P had been done by a resident who still had the document in his possession the day of the tracer.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.02.01.21

Standard Text: The hospital effectively communicates with patients when providing care, treatment, and services.

Element(s) of Performance:

2. The hospital communicates with the patient during the provision of care, treatment, and services in a manner that meets the patient's oral and written communication needs. (See also RI.01.01.03, EPs 1-3)

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP2
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
During tracer activities it was noted that an informed consent for a patient whose preferred language was Spanish,had an informed consent signed in English. After follow-up in Labor and Delivery , it was noted than an interpreter from Cherokee Health came into the hospital and performed the interpretive services. There was no documentation anywhere in the record that the informed consent was obtained in Spanish..After follow-up with Cherokee Health it was noted that there was no documentation of the competency of the translator. The only competency that was provided from Cherokee Health was a sign- in sheet that the translator attended an in service presentation. There was no documentation of any kind that the translator had the knowledge to translate medical information.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.02.02.03

Standard Text: The hospital makes food and nutrition products available to its patients.

Element(s) of Performance:

11. The hospital stores food and nutrition products, including those brought in by patients or their families, using proper sanitation, temperature, light, moisture, ventilation, and security.

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP11
Observed in Tracer Activities at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
During the dietary tracer, a refrigerator temperature log stated that the temperature should be 34 - 41 degrees and if out of range the facilities department should be notified. On six occasions in September, the temperature was below 34 degrees and no action was taken.

Chapter: Provision of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: PC.04.01.05

Standard Text: Before the hospital discharges or transfers a patient, it informs and educates the patient about his or her follow-up care, treatment, and services.

Element(s) of Performance:

8. The hospital provides written discharge instructions in a manner that the patient and/or the patient's family or caregiver can understand. (See also RI.01.01.03, EP 1)

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP8
Observed in Day Surgery Center PACU at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
The discharge medication instructions contained language that the patient may not readily understand, such as PO, HS, PRN, etc.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.01.01.01

Standard Text: The hospital maintains complete and accurate medical records for each individual patient.

Element(s) of Performance:

7. The medical record contains information that documents the course and result of the patient's care, treatment, and services.

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP7
Observed in Tracer Visit at Cole Neuroscience Center-Northshore Movement Disorder Clinic (9625 Kroger Park Drive, Suite 300,Knoxville,TN) site.
During tracer activity the Sample Medication process was traced. There was good evidence recording the acceptance, lot numbers, date of dispensing and amount of drug dispensed. There was no documentation within the medical record of a prescription, medical authorization, reason for dispensing or response to the medication.

Chapter: Record of Care, Treatment, and Services

Program: Hospital Accreditation

Standard: RC.02.01.03

Standard Text: The patient's medical record documents operative or other high-risk procedures and the use of moderate or deep sedation or anesthesia.

Element(s) of Performance:

7. When a full operative or other high-risk procedure report cannot be entered immediately into the patient's medical record after the operation or procedure, a progress note is entered in the medical record before the patient is transferred to the next level of care. This progress note includes the name(s) of the primary surgeon(s) and his or her assistant(s), procedure performed and a description of each procedure finding, estimated blood loss, specimens removed, and postoperative diagnosis.

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP7
Observed in Individual Tracer at The University of Tennessee Medical Center (1924 Alcoa Highway,Knoxville,TN) site.
The medical record did not have an immediate post procedure note following a stereotactic breast biopsy. The dictated operative summary was not on the chart because of the transcription turnaround time.

Plan for Improvement - Summary

The Plan for Improvement (PFI) items were extracted from your Statement of Conditions™ (SOC) and represent all open and accepted PFIs during this survey. The number of open and accepted PFIs does not impact your accreditation status, and is fully in sync with the self-assessment process of the SOC. The implementation of Interim Life Safety Measures (ILSM) must have been assessed for each PFI. The Projected Completion Date within each PFI replaces the need for an individual ESC (Evidence of Standards Compliance) so the corrective action must be achieved within six months of the Projected Completion Date. Future surveys will review the completed history of these PFIs.

Number of PFIs: 12

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-6
Description:
Location of a controlled access door creates a dead end corridor
ILSM Access: Yes
Projected Completion Date: 10/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-7
Description:
Medical Data Closet determined to not have smoke tight ceiling assembly
ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-12
Description:

Relocation of Fire Wall requires addition of fire shutter at window oppening.

ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-13
Description:
Smoke detection not present in Doctor's sleep room
ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-14
Description:
Rated Chase alongside stairwale (north)found to have pentration in masonry wall
ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-15
Description:
Chase wall found not be sealed off.
ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center

Building Name: Main Hospital_HAP
PFI Id: 2014-17
Description:
Doors entering room containing laundry shoot found to be modified
ILSM Access: Yes
Projected Completion Date: 12/31/2014
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-11
Description:
Door needed to complete suite separation
ILSM Access: Yes
Projected Completion Date: 2/27/2015
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-16
Description:
24 sets of Smoke Doors in the East Pavilion were found to need bottom latches
ILSM Access: Yes
Projected Completion Date: 12/30/2015
Funds Committed: Yes
Accepted Date: 9/11/2014

Site: The University of Tennessee Medical Center
Building Name: Main Hospital_HAP
PFI Id: 2014-18
Description:
Penetrations found in plumbing chases of East Pavilion
ILSM Access: Yes
Projected Completion Date: 12/31/2015
Funds Committed: Other

Accepted Date:	9/11/2014

Site:	The University of Tennessee Medical Center
Building Name:	Main Hospital_HAP
PFI Id:	2013-1
Description:	
Fire Damper Access	
ILSM Access:	Yes
Projected Completion Date:	12/31/2019
Funds Committed:	Other
Accepted Date:	9/11/2014

Site:	The University of Tennessee Medical Center
Building Name:	Main Hospital_HAP
PFI Id:	2014-1
Description:	
Fire Damper Access	
ILSM Access:	Yes
Projected Completion Date:	12/31/2020
Funds Committed:	Other
Accepted Date:	9/11/2014

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF KNOX

TERESA LEVEY, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Teresa Levey
SIGNATURE/TITLE
Sr. VP and CAO

Sworn to and subscribed before me the 14th day of September, 2015, a Notary Public for Knox County, Tennessee.

PATRICIA R. TAYLOR
STATE OF TENNESSEE
NOTARY PUBLIC
KNOX COUNTY

Patricia R. Taylor
NOTARY PUBLIC

My commission expires 12-21-2016.

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

October 1, 2015

Jerry Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, TN 37219

RE: Certificate of Need Application -- University of Tennessee Medical Center - CN1509-039
The acquisition of an MRI unit at a cost in excess of $2 million. If approved, the MRI unit will be the 5th unit operated on the main hospital campus under the hospital's license. The estimated project cost is $3,658,914.07.

Dear Mr. Taylor:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on October 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 16, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(3) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(4) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill/MF

Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill MMH
Executive Director

DATE: October 1, 2015

RE: Certificate of Need Application
University of Tennessee Medical Center - CN1509-039

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on October 1, 2015 and end on December 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Jerry Taylor, Esq.

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Knoxville News Sentinel, which is a newspaper of general circulation in Knox County, Tennessee, on or before September 10, 2015 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.,* and the Rules of the Health Services and Development Agency, that University of Tennessee Medical Center (UTMC), owned and managed by University Health System, Inc., a Tennessee not-for-profit corporation, intends to file an application for a Certificate of Need for the acquisition of a magnetic resonance imaging (MRI) unit with a cost in excess of $2 million. The proposed new MRI unit will be operated under UTMC's hospital license and will be located on the main hospital campus at 1924 Alcoa Highway, Knoxville, Knox County, Tennessee. UTMC is licensed as a general acute care hospital by the Tennessee Board for Licensing Health Care Facilities. No changes in services or inpatient beds are involved in this project. The estimated project cost is not to exceed $3,700,000.

The anticipated date of filing the application is September 15, 2015.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee, 37219, 615-724-3247, jtaylor@burr.com.

Signature

9-10-15
Date

==========

The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

==========

Original

SUPPLEMENTAL - #1

University of Tennessee Medical Center (MRI)

CN1509-039

SUPPLEMENTAL RESPONSES

CERTIFICATE OF NEED APPLICATION

FOR

THE UNIVERSITY OF TENNESSEE MEDICAL CENTER

Acquisition of Major Medical Equipment (MRI Unit)

Project No. CN1509-039

Knox County, Tennessee

Filed: September 25, 2015

Contact Person:

Jerry W. Taylor, Esq.
Burr & Forman, LLP
511 Union Street, Suite 2300
Nashville, Tennessee 37219
615-724-3247

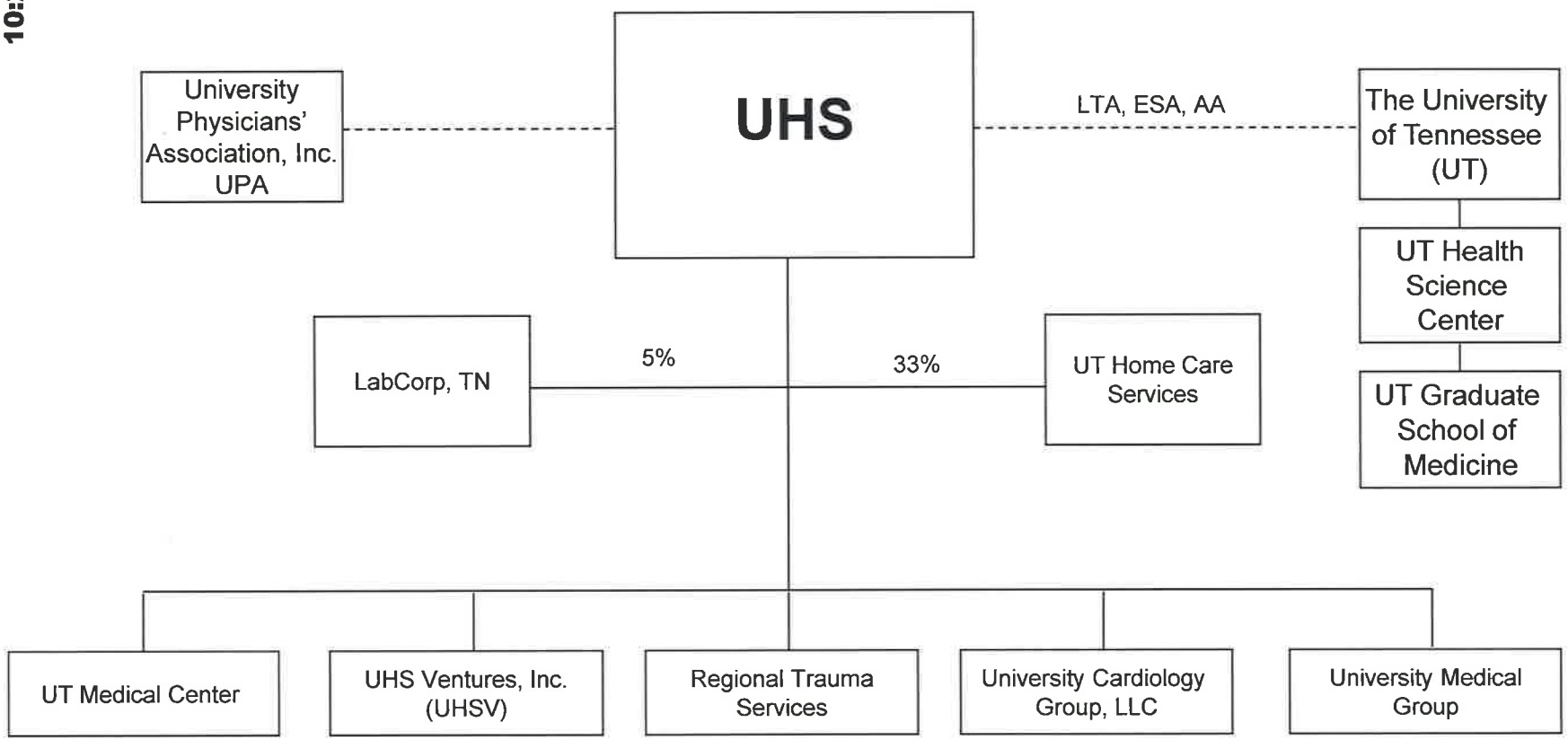
SUPPLEMENTAL #1
September 25, 2015
10:26 am

1. **Section A, Item 4**
   The description of the ownership structure of the applicant's owner, University Health Systems, Inc. (UHS), is noted. If possible, please provide an organizational chart of UHS for use as a visual reference to help facilitate the discussion provided in other parts of the application.

   An organizational chart for University Health Systems, Inc. is attached following this response.

SUPPLEMENTAL #1
September 25, 2015
10:26 am

University Health System, Inc. (UHS)
Corporate Structure/Relationships



Effective: 1/1/15

SUPPLEMENTAL #1
September 25, 2015
10:26 am

2. **Section A, Applicant Profile, Item 6**
The applicant notes that documentation of the applicant's legal interest in the site is provided in Attachment A.6. However, that attachment appears to have been omitted from the packet. Please provide a copy of the documentation.

   A copy of the Lease and Transfer Agreement is Attachment A, 6 to the application. It is approximately 46 pages in length, and it was notarized on July 8, 1999.

3. **Section A, Item 9 (Bed Complement Table)**
The applicant identifies 581 licensed beds, 581 staffed beds and 44 CON approved, but unimplemented beds. Review of HSDA records confirmed the 44 unimplemented beds were approved in CN1409-042A at the December 2014 Agency meeting. Given the project's expiration date of February 1, 2018, please provide a brief progress report on developments since the December 2014 Agency meeting. If possible, please include estimated date(s) that the additional 44 licensed beds may be placed into service, subject to approval by the Tennessee Department of Health.

   28 of the 44 beds are med/surg beds to be located on floor 6 South of UTMC. This part of the project is currently in construction with completion expected around January 2016. The other 16 beds are Neurological ICU beds and that project is currently in design with an estimated completion date of late 2016 or early 2017.

4. **Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B**
As an existing, CON-approved MRI service, are professional fees for MRI interpretation services by licensed radiologists included as a part of a global fee by the applicant? If not, what arrangements are in place to assure that the radiologists maintain Medicare and Medicaid provider certification and contract with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

   Professional fees for MRI interpretation services by licensed radiologists are not included as a part of a global fee by UTMC. The Association of University Radiologists (AUR) bills separately. As such, it is their choice to maintain Medicare and Medicaid provider certification and contract with TennCare MCO plans, which they currently do. Because of their close partnership with UTMC, we have no indication or reason to believe that they plan to do otherwise. AUR is the only radiology practice contracted to service UTMC.

5. **Section B, Project Description, Item II.A and Item II.E**

   Item II.A

   Review of the floor plan in the application appears to indicate that the MRI service on the 1st floor may be used for both inpatients and outpatients. As such, please briefly describe the arrangements for use of common areas by the MRI service such as areas used for reception, patient waiting, clinical support activities, etc.

   The MRI department, like many other departments in the hospital, does provide both inpatient and outpatient services in the same space. This MRI will be an expansion of current services with the same reception, patient waiting, and clinical support services.

SUPPLEMENTAL #1
September 25, 2015
10:26 am

Item II.E—

1. A.1 (Total Cost)

The $2,259,306 combined equipment and service cost is noted. This amount is matches the amounts provided in the Project Costs Chart on page 22 of the application. However, review of the 9/26/2014 vendor purchase offer revealed that the applicant only had 4 days to formally accept the proposal since it appears to have expired on 9/30/2014. Please provide an updated MRI purchase proposal from the vendor that supports the Project Cost of the application and that will be valid on the date of the hearing of the application on or about November 18, 2015.

The proposal was accepted by UTMC on 9-30-14. Officials wanted to lock in the price. If the CON is not granted, the equipment can be used as a replacement of an existing unit.

A Contract Addendum verifying the price is still valid, acknowledging the originally stated delivery date is not binding, and stating the current estimated delivery date, is attached following this response.

SUPPLEMENTAL #1
September 25, 2015
10:26 am

SIEMENS

CONTRACT ADDENDUM
Siemens Medical Solutions USA, Inc.
Quotation Nos. 1-A9VBQI
Purchase Agreement/Terms and Conditions of Sale

This Addendum shall become a part of each of the equipment sales agreements between **Siemens Medical Solutions USA, Inc.** ("Siemens" or "Seller") and **University Health System Inc.** ("Purchaser"), referenced as Siemens' Quotation Nos. 1-A9VBQI, which quotations include Siemens' Standard Terms and Conditions of Sale and the Software License Schedule (each an "Agreement"). If there is any conflict between the terms of this Addendum and the terms of the Agreement, the terms of this Addendum shall control.

1. The proposed delivery date in the Quotation is not binding and Siemens will not schedule delivery of Product until both Parties agree to the installation dates in writing in the Notice to Manufacture letter. The current projected occupancy date is December 2016.

2.. The Agreement outlined in the Sales Quotation has been accepted by both Parties and will remain valid through installation of the Product.

Siemens Medical Solutions USA, Inc.

Name: Manuel Nasby

Title: VP, Zone General Manager

Date: 9/21/15

By: [signature]

Name: Robert Ferro

Title: SRVP

Date: 9/21/15

Additional MRI Equipment Overview

It would be also be helpful to include the following additional information for the proposed MRI unit:

a) Model type (including tesla strength) and date of manufacture

Siemens Skyra 3.0 Tesla with Daily Optimized Throughput and Total Imaging Matrix

b) Annual maintenance/service cost and initial term of service agreement

The maintenance agreement cost is included in the equipment quote filed with the application. For the reviewer's convenience, a copy of the relevant page is attached following this response. Item # 12 on that page is the relevant entry.

The maintenance agreement cost is $129,524 per year for 5 years, following the one year warranty period.

c) If refurbished, years of operation and remaining useful life

N/A. It is a new unit.

SUPPLEMENTAL #1
September 25, 2015
10:26 am

SIEMENS

Proposal # 1-AFU4RD

District / Sales Office

SIEMENS MEDICAL SOLUTIONS USA,INC.
3663 North Sam Houston Suite 400
Houston, TX 77032
Attn: Michael Atwood
Phone: (615) 939-6394
Fax: (615) 866-5922
Email: michael.atwood@siemens.com

Sold To
UNIVERSITY HEALTH SYSTEM INC
1924 ALCOA HWY
KNOXVILLE, TN 37920

Bill To
UNIVERSITY HEALTH SYSTEM INC
1924 Alcoa Hwy
KNOXVILLE, TN 37930

Payer
UNIVERSITY HEALTH SYSTEM INC
1924 ALCOA HWY
KNOXVILLE, TN 37920

Siemens Medical Solutions USA, Inc. is pleased to submit the following proposal for service and maintenance described herein at the stated prices and terms. Subject to your acceptance of the terms and conditions on the face and general terms and conditions Document hereof.

Item #	System Name	Functional Location	Service Agreement	Contract Duration	Warranty Period Price	Partial Year Price	Annual Price
1	AXIOM Luminos Agile		Gold contract	Warranty + 5 Years	$0	$0	$43,795
2	AXIOM Luminos Agile		Gold contract	Warranty + 5 Years	$0	$0	$43,795
3	Symbia Intevo 16		Gold contract	Warranty + 5 Years	$0	$0	$89,319
4	Symbia E Single Head		Gold contract	Warranty + 5 Years	$0	$0	$21,103
5	Artis Q Biplane		Select contract	Warranty + 5 Years	$0	$0	$122,583
6	syngo X Workplace		Select contract	Warranty + 5 Years	$0	$0	$6,110
7	Mark 7 Arterion Injector		OEM contract	Warranty + 5 Years	$0	$0	$4,230
8	Eaton 9390IT 40kVA w/ATS		OEM contract	Warranty + 5 Years	$0	$0	$4,300
9	Artis zee Floor		Select contract	Warranty + 5 Years	$0	$0	$79,667
10	syngo X Workplace		Select contract	Warranty + 5 Years	$0	$0	$6,110
11	Mobilett Mira		Silver contract	Warranty + 5 Years	$0	$0	$8,242
12	Magnetom Skyra		Select contract	Warranty + 5 Years	$0	$0	$129,524
13	ECO Chiller		OEM contract	Warranty + 5 Years	$0	$0	$6,500
14	S2000		Silver contract	Warranty + 5 Years	$0	$0	$8,513
15	S2000		Silver contract	Warranty + 5 Years	$0	$0	$8,513
16	ARCADIS Avantic		Silver contract	Warranty + 5 Years	$0	$0	$10,868

Proactive Service Plans: (Pinnacle, Select, Essential) Notwithstanding anything to the contrary contained in this Agreement, remote access to the Equipment identified above will be established through a broadband internet based connection to either a Customer-owned or Siemens-provided secure end-point. The method of connection will be a Peer-to -Peer VPN IPsec tunnel (non-client based) with specific inbound and outbound port requirements.

Includes:
Parts and/or Labor to the extent shown in Exhibit A.
Principal Coverage Period (PCP) as stated in Exhibit A for each system.
System Updates.
Access to Siemens Customer Care Center for technical telephone support (remote diagnostics, if available to the site and the equipment).

Excludes:
Consumables (batteries, leads, padding, storage media, cassettes, etc.); non-Siemens components and accessories (such as VCR, injector, laser printer, MR surface coils, tables/table tops, chiller, UPS, etc.) unless specifically identified in Exhibit A. Parts defective due to "acts of God", abuse, misuse, neglect, thermal and shock. Glassware (unless purchased as an option).

6. **Section C, Need, Item 1 (Project Specific Criteria)**
Item 7.d
Please summarize the professional staffing that pertains to physician coverage of the service, including medical supervision and imaging interpretation by licensed radiologists.
However, please provide a response for the project specific criteria that apply to construction, renovation or replacement and the 5 Principles of the State Health Plan. For your convenience, the questions that apply to each are contained in the exhibits at the end of this questionnaire.

A response to the 5 Principles of the State Health Plan is provided on pages 12-13 of the application.

Although the construction costs of this project do not reach the $5 million threshold, responses to the criteria for projects which do reach the threshold are reflected below.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Responses to the criteria for the acquisition of major medical equipment are on pages 14 through 18 of the application.

2. For relocation or replacement of an existing licensed health care institution:

N/A.

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

3. For renovation or expansions of an existing licensed health care institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

The need for the additional MRI unit at UTMC, which drives the need for the addition in which to house the new MRI unit, is found primarily on pages 14-20 of the application.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

This project does not propose major renovation or expansion. The addition consists of 1,229 square feet of new space. Only minor renovation of existing space is required to tie in the new space to the existing space. There is insufficient space in the existing MRI

Department to house the new unit. Locating the proposed new MRI in a different location in the hospital would be inefficient.

7. **Section C, Need, Item 3 and Item 4.a**
Item 3 - Please complete the table below showing patient origin in 2012-2014 with volumes by residents of the 6-county primary service area (PSA).

Use of Applicant's MRI Service by Residents of 6-County PSA

Year	Resident MRI Procedures At UTMC	Resident MRI Procedures at all Other MRI Providers in PSA	Resident MRI Procedures at All Other Providers in TN
2012	12832	60296	3662
2013	12153	58459	3721
2014	13633	56999	3811
2015 (Estimated)	13224	55289	3697

Source: 2012-2014 data HSDA Medical Equipment Registry - 9/22/215
Estimated 2015 based on historical growth rate of -3% 2012-2014.

8. **Section C, Need. Item 5 (Historical Utilization in PSA)**
The excerpt of the MRI provider inventory and utilization data from the HSDA Equipment Registry is appreciated. Please provide a snapshot of provider MRI utilization trends in the 6-County PSA 2011-2013 using the table below.

MRI Provider Summary, Applicant's 6-County PSA

County	#Units by Provider Type* (2014)	2012 Scans	2013 Scans	2014 Scans	% Change '12-'14
Blount	Hosp. 1; PO 2	6,112	7,650	7,378	20.7%
Jefferson	Hosp. 1	3,098	2,074	2,253	-27.3%
Knox	Hosp. 13; PO 8; RPO 2; HOPD 1; ODC 4	79,500	76,812	79,704	0.25%
Loudon	Hosp. 1	2,300	2,023	2,055	-10.6%
Monroe	Hosp. 1	1,638	1,834	2,057	25.6%
Sevier	Hosp. 1	4,269	4,235	4,627	8.4%
Total	35	96,917	94,628	98,074	1.2%

Legend: H (hospital); HOPD (hospital outpatient department); ODC (outpatient diagnostic center); PO (private medical practice)

9. **Section C, Need, Item 6 (Applicant's Projected Utilization)**

The projected utilization is noted. Please complete the tables below showing the combined inpatient and outpatient utilization for the hospital's MRI service.

Applicant's Historical & Projected MRI Utilization

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
Avg. Scans per Unit	4,389	4,113	4,563	3.3%	4,913	3,930	4.087
as a % of 2,880 MRI standard	152%	143%	158%	6%	170%	136%	142%

10. Section C, Economic Feasibility, Items 1 (Project Costs Chart)

As noted previously, please confirm and document the equipment costs that are included in the chart with a vendor purchase quote that will be valid on the date of the hearing of the application.

Please see the response to Question 5.

It appears that the actual start-up costs may be very close to the $3.7 million total project cost. Please clarify by identifying the actual out of pocket cash outlay needed for this project.

Of the $3,650,700 estimated project cost (excluding the filing fee), $3,355,152 will be out of pocket start-up costs. The cost items not incurred at the outset is one year maintenance fees of $129,524 due to the one year warranty period, and the contingency fund of $166,024.

11. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Projected Data Chart – Operating Expenses

In looking at the Projected Data Chart prepared for the MRI Department, it appears that Year 1 projected total operating expenses are expected to decrease by approximately $775,000 or 33% from $2,363,621 in 2014, largely as a significant result in depreciation. If in error, it appears that Year 1 projected net operating income may be understated. Please clarify by briefly describing the reasons for the decreases in depreciation expense.

The 4 existing MRIs will be fully depreciated by Year 1. However there are other depreciable assets in the MRI Dept. The depreciation expense on the PDC for the MRI Department represents depreciation on the new unit, plus remaining depreciation on the other depreciable assets. The depreciation expense on the PDC for the new unit represents the first year depreciation on that unit.

12. Section C., Economic Feasibility, Item 6.a.

Please also include a comparison to HSDA Equipment Registry MRI range of charges in the response to this question (1st Quartile, Median, 3rd Quartile).

UTMC (this application) average gross charge = $3,588

Average gross charges from HSDA Equipment Registry:

Gross Charges per Procedure/Treatment
By Quartiles
YEAR = 2014

Equipment Type	1st Quartile	Median	3rd Quartile
MRI	$1,632.60	$2,229.43	$3,677.84

Source: Medical Equipment Registry - 8/10/2015

13. **Section C, Economic Feasibility, Item 9**
Please show the percentages by payor in Year 1 of the project by completing the table below.

MRI Service Payor Mix, Year 1

Payor Source	Proposed MRI Unit Gross Revenue Year 1	as % of Gross Revenue Year 1	MRI DEPT Gross Revenue Year 1	as a % of Gross Revenue Year 1
Medicare	$5,597,333	39.7%	$28,052,247	39.7%
TennCare	$1,268,917	9%	$6,359,451	9%
Managed care	$5,188,460	36.8%	$26,003,090	36.8%
Commercial	$1,579,096	11.2%	$7,913,984	11.2%
Self-Pay	$267,882	1.9%	$1,342,550	1.9%
Other	$197,387	1.4%	$989,248	1.4%
Total	$14,099075	100%	$70,495,374	100%

14. **Section C, Orderly Development, Item 3**
What arrangements are planned for MRI imaging interpretation services by Tennessee licensed radiologist? In your response, please also identify the fulltime equivalent (FTE) value of same.

MRI imaging interpretation services are provided by the Association of University Radiologists, PC (d/b/a "University Radiology"), who are Tennessee licensed radiologists. The radiologist FTEs for the MRI Department is 18.7

SUPPLEMENTAL #1
September 25, 2015
10:26 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF KNOX

NAME OF FACILITY: The University of Tennessee Medical Center

I, TERESA LEVEY, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Teresa Levey
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 24th day of September, 2015, witness my hand at office in the County of Knox, State of Tennessee.

Patricia R. Taylor
NOTARY PUBLIC

My commission expires 12-21-2016.

PATRICIA R. TAYLOR
STATE OF TENNESSEE
NOTARY PUBLIC
KNOX COUNTY